

THE MOVEMENTS OF LABOUR FROM GREECE TO THE E.C. COUNTRIES IN THE PERIOD AFTER THE END OF WORLD WAR II.

**A macroeconomic approach to the causes and
the effects of these movements.**

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Στους γονείς μου Παναγιώτη και Κλεοπάτρα
To my parents Panayiotis and Kleopatra

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ABSTRACT

This thesis deals with the movements of labour from Greece to the European Community countries in the period after the end of World War II. In particular, it examines the causes and the effects of these movements.

Since most of the Greek emigrants in that period moved to West Germany, this country serves as the main point of reference, although the analysis covers the other immigration E.C. countries as well.

The analysis is based on testing the applicability of the theory on the causes and the effects of international migration in the particular case of Greece-E.C. migration in the postwar period. The use of quantitative methods supports the findings of the investigation in several cases, especially as far as the causes of migration and remittances are concerned.

The last chapter of the thesis includes some thoughts on the perspectives of such migratory flows in the future, some suggested policy measures and the final conclusions.

ABBREVIATIONS

- A.R.C.H.** : Autoregressive Conditional Heteroscedasticity
C.A.P. : Common Agriculture Policy
D.M. : Deutsche Mark
D.W. : Durbin-Watson
E.C.A.E. : European Community of Atomic Energy (also known as Euratom)
E.C.S.C. : European Coal and Steel Community
E.C. : European Community
E.C.(6) : The European Community of six members
E.C.(9) : The European Community of nine members
E.C.(10) : The European Community of ten members
E.C.(12) : The European Community of twelve members
E.E.C. : European Economic Community
E.F.T.A. : European Free Trade Area
E.S.Y.E. : Greek abbreviation for National Statistical Service of Greece
F.R.G. : Federal Republic of Germany (West Germany)
G.A.T.T. : General Agreement on Trade and Tariffs
G.D.P. : Gross Domestic Product
G.N.P. : Gross National Product
I.L.O : International Labour Organisation
K.E.P.E. : Greek abbreviation for Greek Centre for Research and Planning
M.P.C. : Marginal Propensity to Consume
M.P.L. : Marginal Productivity of Labour
NICs : Newly Industrialised Countries
O.E.C.D. : Organisation for the Economic Cooperation and Development
O.L.S. : Ordinary Least Squares
S.E.A. : Single European Act
S.E.M. : Single European Market
U.S.A. : United States of America

INTRODUCTION

The movements of people seeking employment in countries other than their country of origin has been the subject of analysis and debate for economists as well as other social scientists for many years and especially since the 18th century. Historically speaking, two distinct phases in international migration of labour could be identified. The first one is the long period before the end of the Second World War when migration mainly referred to movements usually from Europe to overseas countries such as the USA, Canada and Australia. The second one refers to the period after 1945.

The period after the end of World War II, presents several unique characteristics. Especially as far as the European continent is concerned, one could argue that the two main characteristics of that period were the high growth rates Western European economies witnessed until the early 1970s, and the "internationalisation" of the Western European economies. The former refers to the impressive economic performance the Western European economies achieved (after a short period of reconstruction), which was manifested by the improvement of all the economic indicators and the attainment of nearly full employment in some cases (e.g. West Germany). The latter refers to the developments of the economic relations between the Western European nations; these relations, after a long period of protectionism and economic isolation increased to unprecedented levels. This applied to the movements of goods with the expansion of trade, as well as to the movements of labour and capital with the increases in migratory flows and foreign investment respectively.

In particular, movements of labour in the European continent reached high levels since the late 1950s as compared with other periods. By historical standards this "Europeanisation" of migratory flows in the postwar period is a unique phenomenon, in the sense that never before had intra-European movements of labour been of such size and economic importance. Since 1945, nearly all the developed Western European countries became immigration ones, absorbing labour from less developed European countries, mainly the Southern European ones such as Greece, Spain, and Portugal.

Empirical evidence has indicated that the motivations of these movements have been primarily economic, while in the case of the

movements from Eastern to Western Europe in the late 1940s and 1950s the motivations were mainly political. Workers have migrated from relatively underdeveloped areas where they were unemployed or underemployed to developed industrial countries where there was a shortage of labour and wages were high. In addition, empirical evidence has indicated that these movements have been of considerable importance for the countries involved (emigration and immigration ones) in terms of their impact on economic growth and development.

Since the mid-1970s, these movements have been reduced significantly due to the economic recession that hit the European economies; furthermore the flow was reversed after 1975 with the increase of repatriation of the immigrants. Consequently, the stocks of immigrants in the developed European countries originating from the less developed ones have diminished considerably.

But migration surfaced again in the 1980s, after the economic recovery witnessed by most of the developed Western European countries and the accession of certain emigration countries (Greece, Spain and Portugal) to the European Community and the consequent implementation of the Community's free labour mobility principles. One should also consider the possibility of more immigration after the recent progress of economic integration in the European Community and the adoption of the Single European Act which, among other things, provides for the abolition of all kinds of barriers to labour mobility in the Community by the end of 1992. Finally the recent developments in Eastern Europe are an additional factor to take into account. The question, therefore, is whether massive intra-European movements of labour will be repeated in the future.

The aim of this thesis is a macroeconomic approach to the causes, the effects and the perspectives of movements of labour between Greece and the other E.C. countries. Greece has a long history as an emigration country; the outflow of labour from Greece, besides its variations, appeared since the creation of the modern Greek State (1830s) and continues today. Over the whole period after the end of World War II, the emigration of (mainly unskilled) labour to Western Europe and especially to E.C. countries has been of particular importance. Emigration to Western Europe and West Germany, in particular, has been identified as a very important issue for Greece, in the sense that it influenced the economic performance and the

development pattern of the economy. It is indicative that all the studies about the Greek economy for the postwar period refer to emigration. As a result, there have been many opinions presented about this issue by Greek as well as non-Greek authors, forming a fairly sizable literature on this subject.

In spite of its size though, I have come to believe that the existing literature lacks a thorough analysis of several aspects of considerable importance; it is exactly these aspects that this thesis will be concerned with in order to examine the subject comprehensively. In particular:

- a) For reasons to be analysed in chapter 1, a comprehensive theoretical framework on international migration does not really exist. Therefore, an exhaustive listing of all the aspects forming the theory of migration will be attempted. This effort will include all the so far known but piecemeal theoretical views in a systematically structured theoretical approach.
- b) Because of the lack of a comprehensive theoretical framework, the investigations so far concerning the causes of the particular migration from Greece to Western European countries (especially to West Germany) in the postwar period have not been based on the analysis of all factors affecting migration (according to the theory) and the tracing of the most significant among them *with the help of an econometric investigation*.
- c) The analyses so far of the effects of migration for Greece and the other E.C. countries have not been based on a comprehensive theoretical framework and consequently, on an examination of the extent to which the theory reflects the facts of this particular case. The issue of remittances, in particular, both in terms of their determining factors and their impact on the Greek economy has not been extensively analysed and investigated quantitatively.
- d) Finally, the fall in emigration from Greece and the increase of repatriation since the mid-1970s has led to a belief that no migratory flows should be expected in the future. A full discussion of the perspectives of labour movements though, requires a more careful and systematic analysis which will take into account the present situation as well as the expected developments regarding this issue.

Methodologically speaking, the analysis will evolve in the following direction: It will start with the description of the general and

particular factors which determined emigration from Greece to the E.C. in the 1960s and 1970s and the characteristics of this emigration, and it will continue with the analysis of the effects of migratory flows. Finally, in the concluding chapter (chapter 9) of this thesis, the analysis will be, in a sense, forward looking by investigating the perspectives of emigration on the basis of the new framework provided by Greece's membership in the E.C. which, to a great extent, will be based on past experience.

The effort of formulating a theoretical approach in the first chapters of each one of the two parts of the thesis will determine the framework in which the analysis will be carried out and will be a pool for references and questions to be answered.

The contents of the thesis include two parts of four chapters each and an additional concluding chapter.

-In the first part, the causes and the characteristics of labour movements from Greece to the E.C. countries will be examined.

-In the second part, the effects of these movements will be analysed.

-The concluding chapter, will include a brief discussion on the perspectives of such movements in the near future, based on the findings of the analysis in parts one and two of the thesis. Besides that, it will include the final conclusions and suggestions for economic policy measures.

There are several problems relating to this study; the primary one is that studies on migration are faced with a lack of a complete general theoretical framework. A look at the relevant literature reveals that most of the theoretical contributions on this subject refer to particular movements of labour rather than to migration in general.

A further major problem of the empirical literature is the lack of reliable data, especially as far as Greece is concerned. This, coupled with the fact that only very few studies of this subject use quantitative methods, limits the scope of the econometric investigation. Out of the many aspects relating to the emigration from Greece to the E.C. countries in the period after the end of World War II, three main ones will be econometrically investigated: the determining factors of emigration (chapter four), the determining factors of remittances and their impact on the Greek economy (chapter six).

Movements of labour from Greece in the postwar period refer, to a large extent, to emigration to West Germany, as we will see in chapter three. The aim of the thesis, though, is to examine the causes, the effects and the perspectives of these movements in a more general European Community framework, although emigration to West Germany will certainly serve as the main point of reference.

P A R T O N E

"THE CAUSES AND THE CHARACTERISTICS OF THE POSTWAR EMIGRATION FROM GREECE TO THE E.C.COUNTRIES"

C H A P T E R O N E

" A THEORETICAL APPROACH ON THE CAUSES OF THE MOVEMENTS OF LABOUR "

A. INTRODUCTION.

International mobility of labour is treated by economic theory as the result of voluntary acts of choice by individuals, in terms of the country they will be employed in; this distinction from the forced movements of labour which are clearly outside the purview of economics is necessary.

In general, international labour mobility is considered as an important factor, since it influences a series of economic variables the most obvious case being the supply of labour.

It has already been mentioned in the introduction of the thesis that international labour mobility has been insufficiently analysed by economic theory, in the sense that there is no systematic and comprehensive analysis of its causes and effects. This could be attributed to three main reasons which could be pointed out before further proceeding.

The first one is that many economists had come to believe that migratory movements do not constitute an economic phenomenon. In fact, these economists claimed that the essential aspect of the phenomenon is demographic, in the sense of the displacements of populations (Willis, 1974, p. 9). These displacements can be attracted or repelled by economic as well as by non-economic forces (e.g. political ones) and moreover, the decision to emigrate is the result of so complex a series of influences, that isolating precisely their impact is very difficult and subject to a certain determinism (De Avila, 1954, p. 46). There are several reservations on this point of view, the most important one being that emigration could be considered an economic phenomenon simply because it affects the allocation of resources between countries.

The second one has to do with the Classical assumption of perfect intra-country factor mobility and perfect international factor immobility. Classical economists, having the British Empire and its transactions with the other metropolitan economies as a reference set, dealt with migration as a phenomenon which concerned the interior of empires and which, consequently, represented a simple extension of the analysis for the domestic labour market on the level of the colonial powers of that era.

Under this point of view it is quite understandable why Classical economists assumed that there were no movements of labour on the

international level, since capital appeared to be more mobile than labour and could be considered as a substitute for it. This could also explain the progress of the economic literature on internal migration relatively to that on international migration.

The third (and probably most important) reason is that migratory flows have different patterns and characteristics to such an extent that the formation of a general international emigration theory seems to be impossible. It seems that several theoretical frameworks are needed for the approach of different migratory flows and (unbelievable as it may seem) this is exactly the case. Migratory flows may differ in terms of duration of stay (permanent or temporary), characteristics of the migrants (skilled-unskilled) as well as on other grounds.

The main objective, therefore and, at the same time, the main contribution of this chapter, is to integrate the existing literature on the causes of migration into a general theoretical framework and then specialise it as far as the postwar intra-European migration is concerned; the main aim is to end up with alternative theoretical approaches on the causes of labour migration from the Mediterranean countries to the E.C. ones (labour migration from Greece to West Germany (F.R.G.) in particular) in the postwar period which will be empirically tested in the fourth chapter of the thesis.

Given the relatively limited existing literature, the analysis will have to include, and in fact be based on, the Classical view on emigration (perfect mobility of labour within a country and perfect immobility of labour between countries) and the literature on domestic labour markets and internal mobility. This is necessary because all schools of economic thought have very little or even nothing explicit to say on international migration; the Marxian, the Neoclassical or the Keynesian theoretical framework therefore, will have to be derived, to a great extent, from the doctrines of these schools for the domestic market.

B. THE CLASSICAL VIEW ON EMIGRATION

1. The Preponderance of the Mercantilistic Views.

Emigration was the subject of debate in England, until the middle of the 19th century and the general approach to the problem seemed to be in sharp contrast with the philosophy of the Mercantilist era. The

contributions of Adam Smith coincided with a rapid increase in population which marked the death-knell of traditional ideas such as the prevailing view, in the second half of the seventeenth century, that the nation's interests were best served by encouraging population growth. Although the mercantilists were prone to worry about the lack of sufficient employment, they did not allow this concern to weaken their desire to achieve a large number of people (Thomas, 1973, p. 1). With certain exceptions, emigration was regarded as harmful to the country's interests. Overseas emigration would have to be carefully controlled so that it would tend to maximise employment at home, and every effort was to be made to attract skilled immigrants from other countries. It was a frankly nationalistic creed, and its exponents saw no reason to deny that the successes of one country were won at the expense of others.

By the end of the 18th century this system of thought had already been undermined; a fatal blow was delivered by Malthus in his Essay on Population. Steeped in the philosophy of individualism and possessing a new method of thinking about economic affairs, the theorists of the early nineteenth century reached conclusions sharply opposed to those of their predecessors. But in one respect there was no difference. The Classical economists, like the Mercantilists, believed that migration should be regulated by the State in order to avoid undesirable increases or falls of the population. It was one of the few exceptions to the general rule of laissez-faire (Thomas, 1973).

2. David Ricardo on Say's Law and Emigration.

The debate on the economic consequences of emigration and capital exports was, in some respects, part of a great controversy about the possibility of a "general glut of commodities". On one side was Ricardo echoing Say's law declaring in his Principles of Political Economy that:

"...there is no amount of capital which may not be employed in a country, because demand is limited by production. No man produces, but with a view to consume or sell and he never sells, but with an intention to purchase some other commodity, which may be immediately useful to him, or which may contribute to future production...There cannot, then, be accumulated in a country any amount of capital which cannot be employed

productively, until wages rise so high in consequence of the rise of necessities, and so little consequently remains for the profits of stock, that the motive for accumulation ceases..."

According to this reasoning, real wages depended upon the proportion between capital and labour. If labour and capital emigrated in equal proportions, the wages of those remaining in the emigration country would remain constant. If however, proportionately more capital than labour emigrated and, assuming a more or less fixed capital labour ratio, the demand for labour would fall. In fact it would be reduced relatively more than supply and wages in the emigration country would fall. This way of thinking (which is in line with the wage fund argument analysed in section C) led to the pessimistic conclusion that the condition of the workers at home would deteriorate due to colonisation (Thomas, 1973, p. 3).

This Ricardian doctrine attracted a lot of criticism and, in fact, proved to be fallacious and misleading. By taking Say's law too seriously, Ricardo failed to see the three main benefits of colonisation for the metropolitan countries, namely, the expansion of the market for metropolitan products, the relief from overpopulation (here defined as the part of the population that cannot be employed) and the promotion of foreign investment. If nothing else, the Ricardian silent assumption that by preventing capital exports the ratio of capital to population increases and leaves domestic population better off (which could be attributed to the static nature of the Classical analysis), fails to take into account that capital may increase without providing any additional employment or even wage increases.

Surprisingly enough though, even those who criticised Ricardo (Wakefield, Torrens and Merivale - just to mention some of them) never really went as far as suggesting free labour and capital mobility. Although living in the laissez faire and trade liberalisation era, they only spoke of planned and controlled migration and, in fact, were very skeptical and reluctant as to whether free factor mobility was recommended. This paradoxical dualism in Classical thinking, suggesting unrestricted international trade and restricted factor mobility at the same time, will be discussed and explained in a later part of this section.

3. John Stuart Mill on Colonisation and Migration.

The theory of emigration which had won wide approval by mid-century may be found scattered in J. S. Mill's *Principles of Political Economy*. First, he referred to the ways in which a nation can defeat the tendency to diminishing returns from land. An effective expedient was to send people abroad to cultivate the open spaces; but he was not sure whether emigration should be intensive enough to serve as a means of avoiding undesirable population increases. Second, he advocated colonisation as a remedy for low wages. Third, he attacked those opposed to emigration on the ground that it involved a leakage of capital from the country. In fact, Mill did not hesitate to say that settlement of the emigrants in the colonies was "the best affair of business in which the capital of an old and wealthy country can engage" (Thomas, 1973, pp. 6-7), but in any case, he believed that this venture shouldn't be left to private enterprises.

Mill was an enthusiastic believer of the "sufficient price" of land; he believed that the flow of capital to the colonies and the foreign countries had been one of the main reasons for the decline of profits in England because too much capital and insufficient labour was sent abroad (op. cit., pp. 6-7).

4. Marx's Views on Colonisation and Migration.

The Marxist approach on the operation of the labour markets and the causes of migration will be analysed in later parts of this chapter. At this point we should only concentrate on Marx's views on the debate between the views of Ricardo and his rivals on colonisation and the international flows of labour and capital.

Marx supported the aforementioned Ricardian views; in fact he believed that David Ricardo was the only one that saw the light, if only dimly, in his famous proposition that:

"...the same cause which may increase the net revenue of the country may, at the same time render the population redundant and deteriorate the condition of the labourer..."

Marx speculated a lot on this point; in essence his contribution was a compromise between the two opposite views. The Metropolis as a whole may in fact benefit from labour and capital flows to the colonies according to Marx; these benefits though, simply represent the sum of benefits and losses of capitalists and labourers. So, if the benefits

to the capitalists outweigh the losses to the labourers, colonisation may appear to be altogether beneficial while, in reality it implies an additional burden on the labour class. In later Marxist literature the overflow of capital from mature industrial countries to colonies became the main part of an explanation why the system is able to postpone the nemesis of a breakdown.

The appearance of the Marginalist revolution only a few years after the publication of "Das Kapital" moved the theoretical spectrum from the dynamic analyses of economic evolution to the problem of the allocation of resources under static assumptions and the refinement of the theory of value (Thomas, 1973, p. 10).

5. The Dualism in Classical Thought (Trade and Migration).

The already mentioned dualism in classical thought could be explained in terms of the way Classical writers theorised the world. When they discussed international trade, they said nothing about international migration; in order to support their doctrines they used examples on trade between Britain and other countries (Portugal, Sweden etc.) assuming that migration would be impossible mainly for reasons of language. They were dealing with migration, though, when referring to a larger community of countries. On the one hand, there was the static theory of international trade, based on the law of comparative costs justifying the policy of trade liberalisation; on the other, there was the dynamic theory of colonisation based on the law of diminishing returns. It would appear that when Classical writers referred to the theory of international trade, what they really had in mind was commerce between Britain and the countries outside the British economic empire; by doing so, it was realistic to assume international immobility of the population. A progressive increase of productivity, on the other hand, could be achieved in two ways: the first one was through specialisation due to free trade with countries outside Britain's economic orbit; the second one was through planned labour and capital mobility within the British empire. By doing this, the classical economists failed to develop a theory of dynamic interrelations between trade and factor mobility; they believed that free trade was the best thing that could happen to the world economy and therefore factor mobility was of minor importance and a domestic affair within the bounds of the British economic empire, since

(according to them) it could bring no additional gains to those provided by free trade (op. cit., pp. 10-14).

This dualism, though, does not necessarily mean that the Classical view has no explanatory value as far as international labour migration is concerned. It simply means that a reconsideration of the Classical views on free trade and labour migration is necessary.

6. The Classical View Revisited: Trade and Migration.

As we have seen, the traditional classical theory did not encourage discussion on the effect of free trade on international labour movements since these two subjects were kept in different theoretical compartments. This was left to be carried out by later economists (1880s-1930s) most of which belonged to the Neoclassical-free trade school. Their main aim was to bridge the gap between the Classical and the Neoclassical approach. Their true aims though were quite different; in fact, according to K. Wicksell the "liberal school was to blame for the "monopolisation" of several theoretical aspects by the Marxists.

According to the observation made by Jacob Viner (1937, p. 597), the classical school of economic thought failed to distinguish between place and occupational mobility. Viner believed that the Classics only dealt with internal occupational mobility and neglected mobility between classes. His views were compatible with the theories of J. E. Cairnes, F. W. Taussig and B. Ohlin on the "non-competing groups" according to which the labour force is divided into two main categories, the unskilled workers on the one hand and the skilled workers and qualified professionals on the other. These two groups will not enjoy the same benefits from free trade in welfare terms (Ricardian view), nor will they witness the same mobility between countries. In fact the unskilled labour group will enjoy less benefits from trade and may prove to be more mobile under the right circumstances. Taking into account that these contributions coincide and probably use as a reference point the emigration of unskilled labour from Western Europe to the U.S.A., while the Classics were referring to migrations within the British empire, one could both understand and explain these developments in economic theory.

C. THE LABOUR ECONOMICS FOUNDATIONS OF THE THEORY OF MIGRATION.

In order to provide a theoretical framework on the approaches of the different schools of economic thought to the mechanisms and the operations of the labour market, we should consider an economy where no emigration or immigration is to be expected, assuming, that is, factor (labour in this case) immobility between countries. Labour surpluses and deficits and the relative notion of optimum population should be examined together with the particular factors related to the equilibrium in a labour market such as wages.

1. The Classical Approach.

The cornerstone of the Classical wage theory is the "wage fund doctrine". It can be easier understood as an argument concerning an entirely agricultural economy even though Classical economists (besides Marx whose views will be analysed in the following section) did not view such limitations to their argument.

The wage fund for the current period consists of the entire output of the previous period less what is removed for the entrepreneur's consumption. The fund represents the total amount available for wages in the present period. The current wage is equal to the ratio of the fund over the labour force; any factor increasing the size of the fund (technological improvements for example) will cause a wage increase. A wage increase though will cause a population increase and therefore, a labour force increase (denominator) and, finally a fall in wages. Classical economists (Smith being the exception) adopted Malthus's views on population growth; this led them to the formation of the "iron law on wages". Any increase of the wages above the subsistence level will lead to an increase of the population-labour force and, therefore to a fall in wages. So wages can increase only on a temporary (short-term) basis; in the long-run they will return to the subsistence level. This pessimistic view of the prospects of the working class led to economics been labeled the "dismal science" and fell into disrepute after the criticisms of J.S. Mill (Bellante et.al., 1979, pp. 43-4).

The notion of overpopulation in a Classical framework can be shown with a static two country model including a relatively more developed (in terms of economic structure, per capita GDP etc.) country A and a

less developed one B. In country A sectors with high average and marginal labour productivity (mainly industry) predominate, because of the abundance in capital and technology. In country B sectors with relatively lower labour productivity rates (mainly agriculture) predominate due to the scarcity of capital and technology. As a result, wages and income per capita, are higher in country A. A basic element for the analysis is the size of the population in both countries since, soon enough, country B seems to witness a relative overpopulation leading to unemployment (due to the shortages in capital and to the limitations in substituting labour for capital).

2. The Marxist Approach.

While in many areas (particularly value theory) Marxism constitutes a radical departure from Classical economics, the Marxist wage theory is very close to that of the earlier classical economists such as Ricardo. To Marx the wage rate under capitalism is limited, in the long-run, to the subsistence level. There is a question as to whether Marx's definition of the subsistence wage (the reproduction cost of labour) is compatible with the Classical conception of subsistence: is it a wage solely determined by physical requirements of survival (Classical view) and therefore invariant over time? Or, is it partly or wholly determined by the customs of society and therefore subject to change (Bellante and Jackson, 1979, pp. 44-5)?

The most interesting part of Marx's approach though, as far as our analysis is concerned, is his view on overpopulation.

In "Das Kapital" Marx distinguishes three types of surplus population (floating, latent and stagnant). The floating one exists because the number of those employed tends to increase at a lower rate compared to the scale of production; some of the redundant workers escape abroad in the wake of exported capital (Thomas, 1973, p. 7). In the words of Marx:

"It is an inherent contradiction of the movement of capital that the natural increase in the working masses is inadequate to satisfy the requirements of the accumulation of capital, and yet is always in excess of those requirements. Capital needs growing quantities of young male workers and diminishing quantities of adult male workers. This contradiction is not a more glaring one than the contradiction that there should be a complaint of a lack of hands

at the very time when thousands are unemployed because the division of labour has chained them to some specific branch or industry" ("Das Kapital", 4th edition, 1928, pp. 708-9).

The latent type of surplus population emerges because, the application of capitalist methods to agriculture causes a fall in the demand for farm labour relatively to capital accumulation. The stagnant part of "the reserve army" is recruited from the poorest workers in casual employment (a stagnant surplus which forms a self-reproducing and self-perpetuating element of the working class) (Thomas, 1973, p. 8). Marx believed that for each system of production there was a law governing population. The corresponding law for capitalism was based on Marx's central hypothesis that "as accumulation increases, the ratio of variable to constant capital falls, and that, therefore, the demand for labour which is governed by the amount of variable capital, declines relatively to the quantity of total capital. The variable capital function was conceived in such a way that demand diminished relatively to total capital, at an accelerating rate, as total capital increased. Marx had in mind a dynamic process in which there would be interludes during which accumulation would proceed on a given technical basis, that is to say, with a stable ratio between the variable and the constant capital, and employment increasing at the same proportion as capital. But, as time went on, these interludes became shorter: hence an accelerating decline in the variable component of total capital" (op. cit.).

One could speculate on Marx's aforementioned analysis as follows: Since an expanding capitalist economy needs a reserve army of labour which undergoes regular fluctuations and not the changes in the overall growth rates of the working class, problems. Consequently, a call for immigration (by the capitalists who will press the government to attract the foreign labour they need) should be expected to arise in this framework in case an expanding capitalist economy cannot possess such a reserve army of labour.

3. The Neoclassical Approach.

The Neoclassical analysis of the labour market is based on the "purposive behavior" of the individuals. Individuals are assumed to have their own preferences, wants and desires which they attempt to satisfy in order to maximise their utility. In a world characterised by

scarcity though, the individual has to choose. The choice of the individual between work and leisure is determined by the real wage rate and his individual preferences. Whereas the classical economists had viewed the cost of production as the determinant of product price, the early Neoclassicals (Marginalists) conceived the marginal utility (demand but also supply) as the determinant of product price. Wages were conceived to be determined by the demand for labour represented by the value of the marginal physical product of labour.

Later Neoclassical analysis (A. Marshall in particular) viewed value (and similarly the wage rate) as being determined by the interaction of demand (utility) and supply (cost of production itself ultimately based on utility). The mainstream Neoclassical analysis of the labour market is based on the competitive labour market model. A labour market is perfectly competitive if there is a large number of price taking buyers and sellers, all of them possessing perfect, or sufficient at least, information and freedom of entry and exit from the market.

The demand for labour in such a market will depend on the marginal productivity of labour and eventually, on the demand for output in the commodity markets. Supply, on the other hand, will depend on the individual preferences of workers between income and leisure. Full employment, results when the market clears and wages will be determined by demand and supply and labour markets are the mechanism for the allocation of labour. In such an economy, any disequilibrium (excess demand or supply) will be taken care of by a relative change in wages and workers will be attracted to the relatively high wage activities, that is the sectors in which output and hence workers contribution to output has come to be more highly valued. In such a market, therefore, wage changes between activities will *ceteris paribus* reflect changes in relative scarcities and (by doing so) will indicate the need for the reallocation of labour. Equilibrium will be restored after labour moves from lower to higher paid jobs. One can understand therefore, why only temporary vacancies and unemployment are conceivable in this model; changes in the relative wages will always clear the market although this adjustment mechanism may take some time.

The simple Neoclassical analysis is based on the absence of disequilibria situations leads to full employment with labour automatically adjusting to changes. Moreover this adjustment is such that efficiency is always maximised, since the allocation of factors

leads to a situation where all units of a factor receive the same return equal to their marginal product.

Evaluating the explanatory value of the theoretical approaches on the operation of the labour markets in closed economy models is beyond the scope of this thesis. For the sake of completeness though, rather than the sake of discussion, one should explore the limits of their applicability. In this context, the critique to the static general equilibrium mechanism of perfect competition, generated by the Austrian school (which is also based on an individualistic approach) should be examined.

The Austrians tackle the Neoclassical mainstream as far as three crucial issues are concerned; first, they reject the perfect knowledge or information assumption; second, they reject the view that the attainment of the state of equilibrium is certain, although they accept that the economy may move in that direction. Third, they reject the perfect competition hypothesis since they are mostly interested in the forces moving the economy towards equilibrium or, in other words, in the way economies evolve through time and decisions are made in conditions of uncertainty and limited information. In fact, in Neoclassical economics, competition is viewed as a state, whereas in the Austrian approach it is viewed as a process.

4. The Keynesian Approach.

One interpretation of Keynes argues that the key feature in the Keynesian approach to labour economics is the concept of inflexible wages. In its simplest version the Keynesian model is based on the idea that wages will not respond to excess supply; the existing wage rate is mostly treated as an exogenous (given) variable. Workers will not easily accept a fall in the nominal wage rate (although they could possibly accept a fall in the real wage rate). It is clear that the harmony between employers and employees implied in Neoclassical theory is rejected by the Keynesian model. The wage rate is determined for a period of time (and not on an every day basis as in the Neoclassical model) to a great extent after bargaining between the two parts. Changes take place after a new round of bargaining and, in fact, these changes reflect the relative bargaining powers of the two parties.

On a more sophisticated level of analysis though, the rigid wage assumption seems rather naive; in fact Keynes never adopted this

assumption. It is true, however, that Keynes' analysis was prone to such misunderstandings as Harrod warned him (Chick, 1983, pp. 132-133).

In order to understand the essence of the Keynesian labour market some points have to be made clear:

-Keynes rejects the Walrasian notion of equilibrium in general and as far as the labour market is concerned in particular. The Walrasian short-period equilibrium is based on the equality of the expected (*ex ante*) prices to the actual (*ex post*) ones. This can be achieved through the "tâtonnement" process carried out by the auctioneer, in the sense that no transaction takes place before the equilibrium price is reached. Labour markets are no exception to that rule in the Walrasian model. In the Keynesian model on the other hand, persons rather than forces (demand and supply) determine prices. Prices are set by producers who take into account the expected demand for their output. Effective demand is in the centre of the Keynesian model in contrast to the Neoclassical one.

-Keynes viewed the labour market as a particular case; it is indicative that he never used the term "price" when he referred to the labour market. The Keynesian analysis accepts the existence of a demand for labour curve and a supply of labour one; the Keynesian demand for labour curve is derived from the expected demand for output firms are faced with (Chick, 1983, p. 138). Besides determining the demand for labour curve, producers expectations also determine the wage rate. Given this process, one could ask whether a supply of labour curve is needed at all in the Keynesian analysis. In fact the only role that the labour supply function plays in the Keynesian short-run is to determine, as a residual, the level of unemployment (which in this case will be of an involuntary nature) (Coddington, 1983, p. 28).

-The possibility of involuntary unemployment (or in other words short-term equilibrium with unemployment) is the distinguishing feature of the Keynesian labour market relative to the Neoclassical one. The level of employment (and therefore unemployment) will be determined by the availability of jobs (which is determined by the demand of labour solely) rather than the wage rate. The role of workers in this model is limited to accepting (or not) a job at the given wage rate and reacting to real wage cuts which could *ceteris paribus*, lead to the "right" wage level (the one that could cause an elimination of unemployment) (Leijonhufvud, 1968, pp. 336-337).

This view of the world as one full of rigidities and market imperfections allowed Keynesians to include the notion of labour surplus in their analysis. These rigidities and imperfections may be "unremovable" or serve some purpose (e.g. long-term contracts, over wages induce a wage rigidity but may be mutually beneficial to the parties of the contracts). Kaldor defined surplus labour as:

"... the workers who stand ready to respond to an increase in demand for labour in the high wage industries without requiring a change in relative wages" (Cornwall, 1977, p. 67).

The centre of the Keynesian (Kaldorian in fact) analysis lies in the dual economy model first introduced by A. Lewis (1954) and further developed by Ranis and Fei (1961). In a sense, this model is the basis of the Kaldorian theory of growth and this facilitates the use of a general Keynesian framework.

At this point, a very interesting distinction should be made about the way the Neoclassical and the Keynesian school divide the labour force. The "non-competing groups" Neoclassical notion is very different to the "dual labour market" Keynesian one. The former implies two demand and supply schedules within the same market; the later implies two distinct labour markets, a primary and a secondary one corresponding to two distinct sectors within the same country, which function in different ways (Sawyer, 1989, pp. 82-88).

The "dual economy", in its original formulation model envisages a "capitalist" sector (manufacturing) with high wages and labour productivity and capital intensive techniques and a "subsistence" one (agriculture) with low wages and labour productivity and labour intensive methods of production. In this model the agricultural sector operates as a labour pool for manufacturing and, in fact a quite full pool due to high population growth in the rural sectors. Provided demand for labour in manufacturing is sufficient (and this will mainly depend on the demand for the products of manufacturing), labour will move from agriculture to industry in such a way that the employment growth rate in the latter exceeds the overall growth of the labour force. In addition to that, at some stages of development, industrial output grows more rapidly than total and agricultural output. Employees from agriculture are attracted by the higher wages in the manufacturing sector. This scheme implies a relatively high mobility of the labour force and continuous increases in the labour productivity of

manufacturing in a virtuous-circle fashion.

One could say though, that sooner or later, productivity and therefore wages in agriculture will increase and wages across sectors will be equalised (in a pure Neoclassical fashion). As a matter of fact, this productivity adjustment process in agriculture could occur either because the departure of a certain section of the agricultural labour force facilitates the reorganisation of this sector (employment of more capital intensive methods for example), or simply because the marginal productivity of those leaving agricultural employment was equal to or even less than zero (i.e. disguised unemployment). This does not reduce this model's validity though, which is based on the duality of economies and the often observed persistence of wage differential. In fact this persistent rigid wage structure depends on a variety of factors such as the existence of a high wage sector (where employment is determined by the demand for labour, which is determined by the demand for the products of this sector) and a low wage residual employment one and the sum of agricultural productivity and residual labour force growth rates exceeding the growth rate of the demand for the agricultural goods (Cornwall, 1977, p. 46). This second (and purely Keynesian in nature) condition is probably the best explanation of the persisting intersectoral wage rigidities (Boltho, 1982, pp. 14-5). Besides that, in case the labour reserves of the agricultural sector fall considerably (as was the case with the U.K. economy in the 1950s), manufacturing can always attract labour from the other less productive sectors of the economy (domestic services in the case of the U.K.).

Therefore labour surpluses in the Kaldorian sense (a rapid increase in industry's demand for labour attracting the supply and leaving wage differentials unaffected) are feasible under three necessary conditions:

"1. A labour force with substantial numbers willing to undertake complex mobility patterns.

2. A rather rigid inter-industry structure.

3. An allocative mechanism in labour markets that does not reflect some sort of equalisation of net benefits for workers " (Cornwall, 1977, pp. 46-47).

The applicability of the Lewis-dual economy model largely depends on the characteristics of the labour market of the country in question. It is dynamic in the sense that it considers the preconditions for the

transformation of an economy with vast labour reserves in agriculture to an industrially developed one. But can it apply to countries where unlimited supplies of labour from agriculture do not exist like the U.K. in the postwar period? In a way it could; in fact, apart from agriculture, labour can come from other low productivity sectors including the relatively less productive industrial ones.

In conclusion, one could argue that although aggregate demand is at the heart of all Keynesian-Kaldorian growth models, the supply of labour is a permissive and in fact decisive factor for economic growth, in the sense that a lack of available labour would stop growth; provided that labour is abundant, therefore, demand will be the driving force behind growth. In any case, the penalty for relative labour shortages in the sense of limited intersectoral or even intrasectoral mobility is relatively slow rates of growth (Kaldor, 1966 and 1975, Cornwall 1977).

5. Internal Labour Mobility. The General Equilibrium Approach Versus the Cumulative Causation One.

Although the literature on the causes of international migration is limited, this is not the case with the literature on internal labour mobility. The problem is whether and, in fact, to what extent the theory of internal labour migration could be applied to the case of international migration. The existence of borders in the case of international migration is the least of problems in this case. In fact, there are more important distinctions between internal and external labour mobility which should be discussed here in order to limit the analysis.

An "internal" labour market is an administered system with rules about wages and the allocation of labour. In fact, in this market there is no attachment except the wage between the worker and the employer. In such labour markets, reductions in demand for output do not lead to a proportionate decline in employment since employers retain workers in the face of declining productivity and rising average costs because they are afraid to loose their skilled workers (implicit contracts etc). Besides that, senior and skilled workers will be upgraded to better-paying jobs and vacancies in the lower skilled/lower paying jobs will be filled by some sort of surplus labour (either from the internal or the external labour market).

Having analysed the function of the "closed" labour market in the Neoclassical approach we should now examine the Neoclassical static general equilibrium model of migration between two regions A and B within the same country.

Regions A and B in the Neoclassical analysis have the same characteristics as countries A and B in the simple Classical two country model we have already seen. In particular, region A is the more developed one (predominance of high labour productivity sectors-industry, abundance of capital and technology and a shortage of labour), and region B the less developed one (predominance of low labour productivity sectors-agriculture, scarcity of capital and technology and labour abundance).

The Neoclassicals added several assumptions to that model (see Richardson, 1969, p. 295, and 1978, pp. 385-92):

- a) If full employment is achieved in region B, the wage level there will be lower than the one in region A.
- b) Wages are equal to the value marginal product of labour.
- c) Labour is qualitatively homogeneous (which implies that labour productivities may differ only due to different capital endowments).
- d) Perfectly competitive labour markets.
- e) Existence of constant returns to scale.
- f) Migration costs equal to zero.
- g) Workers move mainly in response to wage differentials.

Under these assumptions labour will emigrate from the low-wage regions until real wages between regions are equalised, subject to other conditions of work. More generally, the proposition of Hicks on the subject is that:

"...differences in net economic advantages, chiefly differences in wages, are the main causes of migration" (Hicks, 1932, p. 76).

Furthermore the Neoclassicals (Isard (1960), Lutz (1963)) believe that under these assumptions emigration will restore equilibrium as follows:

Since wages are higher in region A, labour will migrate towards it. As a result, labour will become relatively scarce in region B where capital will flow into labour intensive sectors, wages will rise and emigration will stop. There are other equilibrating trends not taken into account in that model though. Income (and therefore wages) in region B will rise because of emigrants remittances and furthermore the

increase of income in region A will cause an increase of the demand for goods produced by region B (Seers and Vaitos, 1980).

This is a very simplified comparative static model. In fact, it can be amplified by including other determinants such as amenities, public services and social benefits for the migrants and by arguing that migrants respond to differences in expected utility assuming heterogeneous preferences (Richardson, 1978, p. 108).

The Neoclassical hypotheses can be classified in two main categories: the deterministic (the rate of migration is determined by objective economic conditions and individuals are treated as rational economic beings) and the probabilistic (making allowance for attachment to a region and exercise of free choice by individuals).

In essence, the Neoclassical analysis of internal migration stands on two theoretical aspects, namely, the optimum population concept (although it is not even mentioned explicitly in the model) and the marginal productivity theory. In the Neoclassical world the definition of optimum population refers to the maximisation of real income per head. With a constant stock of capital, a given level of resources and no technical progress, per capita income depends upon the opposing forces of scale economies and diminishing returns and there will be a single maximum point in the curve relating regional per capita income to regional population size. Maximum per capita regional income in both regions will only be achieved if labour moves from one region to another until the marginal product of labour is equated to the wage level in and between regions (Richardson, 1969, p. 298).

In spite of the mainstream Neoclassical doctrine of perfect competition, this model enjoyed monopoly power in the analyses of internal movements of labour. In fact, empirical research (most of which concerned the inter-state migration in U.S.A.) revealed that migration tends to follow "economic opportunity" and (to the pleasure of Neoclassicals) wage differentials in particular (Bhagwati, 1976, Hamermesh and Rees, 1984, Hoover and Giarratani, 1985).

The applicability of this model to international migration will be discussed in the following section of this chapter. What should be examined here is whether the equilibrating mechanism described in this model should be unreservedly accepted or whether the cumulative causation mechanism is in operation.

Neoclassicals do not take into account what Myrdal calls "cumulative

causation" under which the advantages for country A will increase rather than decrease because of migration. The simple idea is that there are ways by which success breeds success (and failure breeds failure) and hence those regions who are initially successful (unsuccessful) and receive relatively high (low) rewards will continue to gain (lose) at the expense (benefit) of the initially unsuccessful (successful) (Sawyer, 1989, p. 421).

According to Myrdal (1957, pp. 26-29), one could distinguish two kinds of effects resulting from the economic relations between two regions or two nations, the spread effects and the backwash ones. Backwash effects are the detrimental effects suffered by poor nations (regions) as a result of their interaction with rich ones, while spread effects are the beneficial ones enjoyed in poor nations (regions) of the same. The main idea is that the play of market forces tends to increase rather than decrease the inequalities between nations (regions) (Vanhove and Klaassen, 1980, p. 9). Economic expansion in one region may have a negative influence on the neighboring nations (regions) in different ways. Movements of labour, capital, goods and services do not by themselves counteract the national tendency to inequality. Migration, capital movements and trade are the media by which a cumulative process evolves upwards in the lucky nations (regions) and downwards in the unlucky ones (Myrdal, 1957, pp. 26-29). Labour mobility in particular, may have negative effects on the country (region) of emigration at any rate, if the volume of the movement of labour is considerable (op. cit).

The movement of labour exacerbates the inequality between regions since migration is always selective, at least with respect to the migrant's age. This movement by itself tends to favour the rapidly growing regions and disfavour the others. In general, if emigrants represent the "best" (in terms of age, education etc.) part of the labour force, they will be more useful than average in production. The prosperous regions will be able to offer a higher wage and better working conditions; this will help them attract more and better high skilled labour and scientists. The level of services in the prosperous regions, therefore, will improve even more and this will reinforce the attraction of the prosperous regions and raise their competitive position (Sawyer, 1989, p. 423).

On the other hand, the increase of the income accumulation due to

immigration in the labour importing countries creates external economies which lead to a further and larger accumulation. Economies of scale prove to be, once more, the Achilles heel of Neoclassical economics as also does the implicit assumption of perfect substitution of labour for capital which is clearly assumed for country B (Seers and Vaitsos, 1980).

6. The Human Capital Element.

Although the general idea behind the human capital notion is an old one, the theory of human capital started developing in the late 1950s. Until then, the demand for post-compulsory education and skill acquisition was treated as a demand for a consumption good (Creedy and Thomas, 1982, p. 98).

The modern approach to human capital is clearly a supply-side one and focuses on questions relating to the quality of labour (unlike the earlier contributions which concentrated on the quantity of labour). The human capital approach views education and training as forms of investment in the individual, where the earnings foregone during training represent the costs and the additional lifetime income derived from using the human capital as the return of this investment (Sapsford and Tzannatos, 1990, pp. 2-3).

An individual may have skills and training that permit him to earn income each year. These skills, therefore, which provide a continuous flow of income to the individual have a value for him just as any form of property which yields a monetary return has a present value to its owner (Bellante and Jackson, 1979, p. 105).

In a sense, the human capital approach is perfectly compatible with the life-cycle income hypothesis, since both human investment and consumption decisions can be seen as taken simultaneously on a life-cycle basis. In particular, human investment decisions are, in a sense over the life-cycle of the individual from birth through compulsory schooling to the labour market, and ultimately, retirement. Consequently, government social and economic policies can be related to the life-cycle (Hartley and Tisdell, 1981, p. 27). But is this approach of any explanatory value for emigration?

The first reservation on this approach is related to the problem of whether material capital analysis should be applied to human beings; the essence of this reservation does not only lie in humanistic

grounds. It is rather differences such as the non-separability of human capital and the consequent problems of raising finance for education, training and other human investments (op. cit., p. 294).

The second reservation is the so called "screening hypothesis" (op. cit) which raises the question as to whether education serves as a means of knowledge acquisition (which the worker will use to maximise his returns) or a screening or certificate device. According to this hypothesis, education may do little to improve the skills of individuals which would be useful to the employer, but it does provide a signal to a potential employer that the individual who holds the certificate or degree possesses intelligence, motivation etc. which will probably enable him to be a successful employee.

Human capital theorists claim that this approach is of great explanatory value since not only does it explain an individual's decision to accept a job offer at a particular moment (as most static models do) but it can also explain individual decisions and, therefore, occupational mobility on a dynamic (life-cycle) basis. This is fair enough; since this model explains human behaviour and reactions over time (in fact from the end of compulsory education to retirement) it is dynamic. But is this approach beyond the limits of the analysis of certain schools of economic thought? Although labeling approaches by school of economic thought is not a target by itself, one could say, for the sake of argument, that this approach reflects a strong Neoclassical perspective. In fact:

"...it tends to ignore market imperfections, encouraging the estimation of reduced-form equations for wages on the assumption of a competitive labour market and distracting attention away from estimating demand and supply functions. Besides that it is also rather lop-sided. References to the determinants of the demand for training by employees (or the supply of recruits to jobs with training involved) are in fact confined largely to places where the reactions of workers must be taken into account in explaining the strategic position of firms" (Creedy and Thomas, 1982, p. 100).

Human capital theorists believe that educational policy rather than direct intervention in the labour market is the most efficient means of reducing wage differentials. The labour market, indeed, enters the analysis only indirectly, by determining the marginal productivity of labour. Skills are acquired prior to entry in the labour market as well

as whilst working and the distribution of jobs is supposed to be perfectly malleable, depending on the distribution of human capital endowments (and thus on the distribution of skills) produced by the education system.

Another aspect of human capital theory has to do with decisions about training or (more precisely) about the form of investment in human capital which is usually undertaken when the individual is in employment (on the job training with a view to enhancing his/her productivity through the acquisition of particular skills). This distinction between general skills (acquired by education) and particular-specific ones (acquired by on the job training) is very useful. This approach obviously rejects the aforementioned assumption that skills are acquired prior to entry in the labour market.

As we will see in the following section of this chapter, the human capital element combined with the brain drain one have been extensively used in analysing the postwar migratory flows. At this point though, a discussion on the relation between the human capital element and the geographical mobility of labour in general would be very useful.

Human capital theory cannot relate people's choices on where they should acquire human capital, relatively to where they would seek employment afterwards. An individual born (and living) in region A may decide that the best or the most inexpensive thing to do in order to get highly paid employment easier in region B would be to acquire education in region A, B, or even C. This scenario may seem to be too much to assume for young people at the beginning of their post-compulsory education; on the other hand though, I can see no reason why it could not be applied to people thinking of university (or any other higher education institution) education. Such people could choose as undergraduate or (even more realistic to assume) postgraduate students whether they should get employment in a certain region of the same (or other) country.

The second (and more important) question is whether the possession of human capital influences the geographical mobility of an individual. I would answer that it does and moreover positively, for two main reasons:

The calculation of costs and benefits from a decision to emigrate from one region to another may be different for skilled and unskilled labour; besides that, it would be quite realistic to assume that highly

skilled and educated individuals possess relatively better information and ability to evaluate and process this information on the condition of the labour market in two different regions than the unskilled ones.

The second reason is that the skilled and educated individual refers to a small number of particular jobs, which if he does not get in a certain region may decide to emigrate to another one much easier than an unskilled individual who probably refers to a wider range of jobs.

One could easily come up with counter arguments and the conclusion that, under certain conditions, unskilled labour may prove to be more mobile than skilled, but nevertheless the case for different geographical mobility these two groups have has been established to a great extent.

D. A SYNTHESIS: TOWARDS A GENERAL THEORY OF INTERNATIONAL MIGRATION.

1. General.

At this point I should define the central hypothesis on which the further analysis will be based: "Potential emigrants are in a sense utility maximisers; their decision to emigrate and the duration of their stay (provided that they have a choice on that) depends on whether they expect that emigration will serve their interests". In that sense one could say that decisions on migration are taken (as far as the emigrant is concerned) on the microeconomic level. The fundamental question is how pursuit of self interest interact i.e. whether pursuit of individual interests leads to socially desirable outcomes. Besides that, a person's decision to emigrate is a necessary but not a sufficient condition for emigration to occur. Since national borders continue to exist, the consent of both the immigration and the emigration countries is also needed. Whether this consent will be given though, depends on the considerations of both groups of countries on certain macroeconomic indicators varying from the size of the labour force to the desired rate of economic growth. Besides that, many of the signals a person needs in order to make up his mind on migration have to do with macroeconomic indicators (e.g. job availability in the immigration country). Migration therefore will be treated as a phenomenon depending on decisions taken on the microeconomic level by the potential emigrant but, at the same time, determined (to a great

extent) by the evolution of macroeconomic indicators (Djajic, 1989, pp. 327-39).

Emigration is related, mainly by the Neoclassicals, to the concept of the optimum size of the population as defined above and consequently, to phenomena such as over and under population. Although the Marxist approach also refers to the size of the population, one could hardly say that it has to do with the optimum population notion (in the sense that from whose view-point is it optimum?)

If we examine overpopulation as a form of reserve industrial army (as the Marxist theory does) we will have to distinguish it into three kinds: floating, latent and stagnant. The floating form expresses labour mobility in the industrial production which, according to Marx can be related to emigration in the following way: "In the centres of modern industry, workers are occasionally attracted and repulsed in such a way that the number of workers increases in a decreasing rate relative to the production scale. Overpopulation in this case, is of liquid form and increases when industry expands. A part of surplus labour has to emigrate and, in fact, it follows the emigration of capital" (Nikolinakos, 1973).

The size of the population together with the theory of marginal productivity are the basis of the Neoclassical theory of emigration (Richardson, 1978, pp. 370-3). The centre point of the analysis of the size of the population is the optimum population which can be defined in different ways assuming alternative maximalistic targets set by a country. Maximisation, in a sense, may assume government activity in order to determine the size of the population, although an outside observer may define optimal without implying government activity. A country may aim a) at maximising the per head income of the native population (excluding immigrants); b) at maximising the per head income of all its residents; c) at maximising the per head income both of its residents and the residents of the emigration country (Michalopoulos, 1968, p. 130). According to what a country aims at, the optimum population is that for which the income per head of native population, all residents or even all residents of both countries is maximised. Having indicated the optimum size of population we can indicate the optimum size of emigration. It is the size for which the income per head of the non-emigrating residents of the emigration country is maximised (Massel and Yotopoulos, 1971, pp. 292-3).

Although the notion of optimum population is interesting, it is of very doubtful use; its main problems have to do with the fact that it could hardly be included in a positive theory of migration. Since the optimum population notion has to do with how large the population of a country should be, without any hint as to how this population size could be achieved, it remains within the limited framework of normative economic theory. Although some countries have adopted measures aiming at influencing the future size of their population (West Germany encouraging the increase of the fertility rate, India and China encouraging exactly the opposite) such measures could hardly be seen as sufficient in filling the gap between a normative and a positive theory of migration.

Besides that, not all economists seem to agree as to the definition of surplus labour. Some believe that it is equal to the number of unemployed, while others believe that it equals the part of the labour force whose marginal product is very close or equal to zero (Michalopoulos, 1968, p. 130).

In particular, one could distinguish at least three completely different definitions of surplus labour and, consequently, three different theoretical approaches to the causes of migration, namely the Marxist, the Neoclassical and the Keynesian ones.

2. The Marxist Approach.

The Marxist approach on the causes of migration is mainly constituted by Marx's views on overpopulation and the more recent contributions of the Neomarxist school of dependence.

It has already been mentioned that the most relative to migration part of Marx's theory is the doctrine of relative surplus population.

Marx had the 19th century colonial regimes in his mind; as a result, he viewed emigration as a process following increases of investment in the metropolises. Such an extension of activity required new supplies of labour which should be imported because otherwise the variable to constant capital ratio (and therefore profits) would fall.

The main task for the contemporary Marxist and Neomarxist theorists on this aspect was to apply Marx's views in a very different world where the colonial links have been replaced by more complicated ones. The Neomarxist school of dependence proved to be more successful in that respect.

The main difference between the "orthodox" Marxist and the Neomarxist approach has to do with whether the capitalist world should be examined as a unique notion (all countries are more or less treated as the same in terms of having two main classes the, capitalists and the workers) as the "orthodox" Marxists do, or as a non-homogeneous group of countries (in terms of characteristics) in accordance to the Neomarxist views.

In particular, the Neomarxist view on the contemporary world could be included in the triangle dependence-submission-complementarity which explains the relations of the countries of the centre (the developed ones) and the periphery. The dependence of the latter on the former is both in economic and political terms. One of the effects of dependence is the submission of the peripheral economies to the interests of the metropolitan ones and, consequently, the complementary function of the former relatively to the latter. This complementarity strengthens the links of dependence and the whole scheme becomes a self-perpetuating one, forming the so called "vicious circle of dependence". The aforementioned analysis is extremely brief and, although the Neomarxist school can hardly be regarded as expressing single views on this subject, the main analytical directives could be attributed to Amin (1976), Emmanuel (1974), Frank (1978), Sweezy (1942) and Wallerstein (1974 and 1979).

In this framework one could explain the process of migration as follows: A metropolitan country A witnesses an increased demand for labour caused by an intensification of accumulation. It's labour reserves (reserve army) are drained and, if this increased demand for labour cannot be coped with, it will probably lead to a fall in the variable to constant capital ratio (the numerator will not increase due to the labour shortages while the denominator will increase due to the intensification of accumulation). The fall of this ratio, though, will lead to a fall in the rate of profits. Given this, the only way to preserve the variable to constant labour ratio and, therefore, maintain the rate of profits is to acquire new supplies of labour. If there are no labour reserves in the internal labour market they will have to be brought in from other countries. So the metropolitan countries will have to turn to their periphery and pump in labour. The countries on the periphery on the other hand will have to submit to the needs of the metropolis and supply this labour irrespectively of whether they too

need to maintain the size of their labour force. Their complementary role becomes obvious especially when the metropolises no longer need the imported labour which will have to be sent back where it came from (Jackson, 1986, pp. 19-25).

Movements of labour certainly started long before capitalism; on the other hand though, it is obvious that they were emphasised during the long transition period to the completion of the capitalist system. Differences in development levels are absolutely compatible with capitalism no matter whether we draw the line between centre and periphery (Neomarxist approach) or examine it in total ("orthodox" Marxist approach). By the time capitalism has prevailed, a process of adjustment of productive relations to the requests of development of the productive forces will start to operate or as M. Dobb sees it: *"... when there is a labour shortage, capitalism requests to the state to create and subdue labour..."* (Amin, 1977, p. 519).

Unequal development, unequal exchange and dependence are cause to effect relations. Migration along with foreign investment and international trade are simply a mechanism of promotion and preservation of these relations in the world economy (Nikolinakos, 1973 pp. 10-12).

The main advantage and, at the same time, the main disadvantage of this approach is its generality, since it does not intend to explain individual decisions. Since workers do not move from one country to another against their free will, dependence, submission and complementarity are too general to explain a person's decision to emigrate, without being specified to particular factors relative to the subject. Although the Neomarxist approach is of great analytical importance therefore, it is unable to provide by itself a complete theoretical framework about the causes of international movements of labour.

3. The Neoclassical Approach.

Two contributions by Ravenstein (1885 and 1889) formed the first theoretical analysis of migration and are considered as the ones that provided the subject with a theoretical base. In fact it is believed that the 20th century *"...has seen no comparable excursion into migration theory..."* (Willis, 1974, p. 8). Ravenstein defined the laws of migration and the essence of these laws are: migration falls with

distance; long distance migrants go to the cities; migration takes place by stages; each migration stream is associated with a compensating counter-stream; there is an urban/rural distinction in migration propensities; females predominate amongst short distance migrants; technological improvements (in transport especially) increase the volume of migration; and that economic motives (i.e. higher income) dominate in most migration decisions (Molho, 1986, p. 398).

Ravenstein's propositions were redefined in a more brief way by Lee (in Jackson (ed.), 1969, pp. 282-7) which did not really modify their basic conclusions. The Ravenstein model with its modifications provided the framework for the mainstream Neoclassical analysis on migration and the "push and pull" approach which will be analysed in a following section of this chapter.

Ravenstein's analysis is Neoclassical in the sense that demand and supply are seen as being mediated essentially by fluctuations in wages. Relative wages are at the centre of the Neoclassical analysis; differences in the demand and supply of labour in the labour markets of two countries is reflected in different wage rates. Under these circumstances workers will tend to migrate from the relatively low to the relatively high wage rate country (provided that they can acquire information about these differences in the information markets) in order to maximise their welfare in terms of income, and capital will probably move to low wage countries (assuming that low wage countries have higher profit rates). Emigration therefore, will occur because of the differences in real wage rates and will only come to an end when these differences have been eliminated because of migration; in this model migration functions as a factor directly affecting the supply of labour in both countries leading to a convergence in wage rates. Within this framework, wages provide the principal argument in individuals' preference functions, whilst the distribution of opportunities for movement as reflected by the pressure of demand are also conditioned by prevailing wages (Molho, 1986, p. 398).

This Neoclassical approach is based on two main assumptions; the first one has to do with the nature of the labour market and the second one has to do with information.

The Neoclassicals assume perfectly competitive labour markets for both countries, or in other words, a perfect international labour market, homogeneous in nature. This view has been criticised since, and

even those who accept the existence of an international market for labour, stress the fact that this market is a most imperfect one (Kindleberger, 1963, p. 438). Within the Neoclassical context, migration is considered as a disequilibrium phenomenon in the sense that in an equilibrium condition the "right" wage level will clear the market and therefore no additional supply of labour (immigration) will be needed. On the other hand though, migration could be considered as a factor contributing to equilibrium in the sense that it eliminates labour shortages and surpluses and therefore, it only occurs as we move from one equilibrium point to another.

The second assumption on perfect information is quite important, although one could argue that as long as information is not completely wrong, then, some of the effects are valid; wage differences can function as the engine of migration, provided that potential emigrants are aware of these differences. If this is not the case, this can only mean that the decision to emigrate will be based on imperfect or simply mistaken information. In such a case emigration may occur but one may expect a second decision (to return or not), when the immigrant realises the actual differences in wages (Katz and Stark, 1989).

One could easily criticise this approach on the ground of the strict assumptions it is based on. In fact, the full-employment to be attained at the "right" wage level Neoclassical notion can be easily tackled; the same applies to their doctrine on the convergence of wages on an international level (following the Heckscher-Ohlin theorem and the Stolper-Samuelson factor price equalisation one). Nevertheless though, the conclusions of the Neoclassical approach deserve some credit. Neoclassicals consider the potential emigrant as a profit maximising supplier of his own labour. Therefore, this individual will probably sell (provided that he is both rational and aware of the possibilities) in the market where he can get the higher price.

People will probably emigrate if they feel that opportunities are better in the immigration country; higher wages though are only one of the components of better opportunity. Wage differences may exist and in fact influence emigration but only factors such as differences in unemployment rates and job opportunities may prove to be of greater importance for the potential emigrant.

A final remark one could make is that most of the aforementioned analysis seems to be based on short-run and static/current conditions.

For the sake of completeness we should at least take expectations about life-cycle incomes into account. Such expectations may determine an individual's decision to emigrate to a much greater extent than static wage differences. The decision to emigrate is a very important one for individuals and, it therefore seems very realistic to assume that it will be based on long-run (life-cycle) considerations rather than short-run ones.

The theoretical debate, therefore, should be based on the relative rather than the absolute applicability and explanatory value of this theory.

4. The Keynesian Approach.

Job availability, on the other hand, is at the centre of the Keynesian analysis; imbalances in the labour markets of both countries in terms of labour surpluses and labour shortages cannot always be eliminated by a convergence in wage rates. Wage rates in a country are determined by a series of factors besides the supply and the demand for labour. Labour, therefore may as well emigrate from one country to another mainly because employment opportunities are more prosperous in the latter.

This approach though, implies perfect information on the differences in employment opportunities just like the Neoclassical one assumes awareness of the wage differences.

The discussion so far has revealed that the basic precondition for explaining the causes of international movements of labour is to define and analyse relative surpluses and shortages of labour. The Neoclassical approach is self-constrained in that respect since it views them as a phenomenon only occurring during movement from one equilibrium situation to another.

Taking this into account could explain the validity of the Keynesian approach in spite of the fact that Keynesians are the ones who have dealt the least with migration. Surprising as it may seem, even if one accepts that a Keynesian theory on the causes of migration exists implicitly, one will have to admit that the main analytical tools of this theory were not really designed for this cause.

The transformation of the Keynesian growth theory into one of migration can be attributed to a rather simple extension of this theory by Kindleberger (1968). Kindleberger put Lewis' model in an

international perspective; instead of using a dynamic and a subsistence sector of the same country, he transformed the model into a two country one by combining the manufacturing sector of a developed country and the agricultural sector of a less developed one. By doing so one will end up with the conclusion that labour will emigrate from the less developed country to the developed one following increased demand for labour in the industrial sector of the latter.

Following a purely Keynesian way of thinking, one could view migration as a self-perpetuating process in the following sense: Foreign labour is needed because the domestic labour force is not enough to cope with an increase in aggregate demand; this additional labour-population though, may cause a further increase of aggregate demand, so more workers will be needed and so on. In a Kaldorian way of thinking, although the supply of labour is a permissive factor of economic growth (aggregate demand being the decisive one), foreign labour could relax the constraint imposed by the lack of transferable surplus labour for the dynamic sector (industry) of the economy.

Even with this extension though, the Keynesian approach can hardly be considered a complete theoretical analysis of the subject. International migration was brought in to supplement the growth theory of that school of economic thought rather than the other way around. In fact the main contribution of the Keynesian approach is that it fills the enormous gap between the Neoclassical and the Marxist theory. Both the Lewis model and the Kaldorian theory have strong affinities with the Marxist theory, in spite of the fact that it's analysis touches upon the Neoclassical theory although it rejects it's main assumption on the elimination of wage differentials.

Besides that, the Keynesian approach does not reject the importance of wage differentials as the Neoclassical one does not reject the importance of differences in employment opportunities. The debate between these two schools of economic thought is finally on which of these two factors is of greater importance for emigration to occur.

5. The Human Capital-Brain Drain Approach.

A striking feature of the migratory flows since the end of the World War II is the high proportion of migrants who can be regarded as human capital. Developed countries were keen to attract qualified manpower and, in many cases, they erected barriers against the entry of

unskilled labour.

The emigration of skilled workers started long before the end of World War II but, (in the 19th century for example) it was complementary to the exports of physical capital and unskilled labour (Adams, 1968, pp. 3-8). The postwar wave of migration, in contrast, has moved in the opposite direction from that of physical capital. In a sense, instead of proletarian mass migration, population-sensitive capital formation and portfolio foreign investment, the postwar period is characterised by professional elite migration, science-based capital formation and direct foreign investment (op.cit.).

Most of the literature on the human capital movements is on the effects for the emigration and the immigration countries (Molho, 1986, pp. 398-9). In fact two models, a "nationalist" one and an "international" or "cosmopolitan" one have been developed (Adams, 1968, pp. 3-5). The first one advocates that skilled manpower migration deprives the less developed (emigration) countries of the people they would need in order to develop industrially; therefore several restrictions should be imposed or alternatively, a compensation mechanism for the emigration countries (taxing the brain drain) should be introduced.

The "international" or "cosmopolitan" model on the other hand, follows a liberal logic and a Neoclassical way of analysis. According to it, the brain drain simply reflects the operation of an international market for specialised human capital. Like physical capital, human capital will have to move from low to high productivity regions (countries); as long as it is free to seek the highest reward and as long as it bears the costs of its own movement, it will tend to flow into uses where its contribution is greatest as long as wages are correlated with productivity. In other (and in fact Neoclassical) words, "...resources will be allocated on a world-wide basis in the interest of maximising world output; they will be allocated on the basis of optimal efficiency" (Adams, 1968, p. 4). Following this way of thinking one could say that the migration of human capital also implies a cost minimisation in the sense that it is cheaper to produce human capital in the low wage emigration countries.

We could easier embody this analysis in the theory on the causes of migration, by developing a risk-theoretic human capital model of migration. Such a model would treat migration as an investment under

uncertainty and focus on the expected return and associated variability of returns from migration as the determining variables of the migratory decision. "By introducing risk or uncertainty, we are in effect proposing the human capital analog of the job opportunity differential hypothesis" (King, 1980, p. 47). Here again the debate between the Neoclassicals (wage differentials) and the Keynesians (job opportunity differentials) seems to surface. The difference though is that, here the Neoclassical and the Keynesian hypotheses can be treated as complementary. People will emigrate because they think, believe or just hope that they have better chances of getting a job in the immigration country which will pay better (over their life cycle) than a relative job in the emigration country (Lee in Jackson (ed.), 1966, p. 287). So, wage differentials are now a necessary but not a sufficient condition for movement.

Numerous models have been developed based on the logic of the human capital-brain drain approach; most of them refer to the intra-state migration of skilled and educated labour in U.S.A. According to these models the (expected) returns and costs of migration, which, after all, determine a person's decision to emigrate could be listed as follows:

Returns: Higher income, better professional opportunities, and better living and working conditions, relevance of the job with the education and the training this person had, political stability, etc.

Costs: Monetary costs (cost of transportation and establishment) and non-monetary (psychic) costs (nostalgia, unsafety difficulties in adjusting etc.)

(The details are elaborated in Greenwood (1975), Singh (1978), Katos (1977), Todaro (1969) and Sjaastad (1962) among others).

In theoretical terms, the human capital-brain drain approach looks fairly compact. Although closer to the Neoclassical logic, it combines the Neoclassical and the Keynesian approaches (an achievement on its own one could say), since both wage and employment opportunities differentials are considered as determinants of migration.

The problem with this approach though, is that it can only apply to that part of the labour force which can be treated as human capital, that is the skilled and educated professionals. For these people, the silent assumption of perfect (or at least sufficient) knowledge of the existing differences in incomes, job opportunities etc. seems more realistic and the theory more applicable than in the case of unskilled

labour (for the crucial importance of information see Molho, 1986, pp. 401-5).

It is indicative that the most popular examples and reference sets for human capital-international migration analysis are reputable academics (even Nobel prize winners) and famous artists and athletes who emigrated from Western Europe to the U.S.A. Most (if not all) of these people though, had visited (and therefore can be assumed to have been possessing information on) U.S.A. before actually emigrating.

6. The "Push" or "Pull" Factors Approach.

Like the human capital-brain drain approach, the "push-pull" factors one is relatively recent; in fact it also appeared after the end of the World War II. The Ravenstein model (analysed in section D.3), in a modified form is considered as the most significant contribution based on the assumption of push and pull (Jackson, 1986, p. 15). In fact, Ravenstein's original analysis is closer to the push-pull model than similar models (such as the model developed by Lee) in the sense that it allows for both negative and positive intervening variables (Lee's analysis only allows "intervening obstacles" to migration) (op. cit.).

The "push-pull" factors approach did not bring in any new theoretical elements and cannot be considered as constituting a separate school of economic thought on international migration; in fact, it appears to be that this approach has "borrowed" elements of the pre-existing literature, but nevertheless it structured them in an original way of analysis.

In the Neoclassical and Keynesian approaches, as well as in the human capital-brain drain one, the individual and his decisions are in the centre of the analysis. The evolution of the economic variables in both the emigration and the immigration countries constitute a bulk of information, carefully examined and evaluated by the individual in order to reach a verdict on emigration. Emigration and immigration countries compete harmoniously in an auction where, the worker, fully aware of the offers will sell himself to the highest bidder. The model is therefore based on the assumption of a process of rational decision making and perfect knowledge of the system (Jackson, 1986, pp. 15-6). Following this way of thinking, one could end up with the conclusion that if an individual accepts the offer of the highest bidder-emigration country and emigrates, the only way he would return

to his country of origin would be after a relatively higher offer from the emigration country.

A careful look at the experience of recent as well as previous migratory flows reveals the fallacy of this way of thinking; return migration does not go hand in hand with reversals or even with convergence in the relations of wages and job opportunities between the immigration and the emigration countries (Castles and Kosack, 1985, pp. 25-8). In fact, in many cases return emigration coincided with increases in wage and job opportunities differentials in favour of the immigration countries (as we will see this is exactly what happened in the case of the emigration from Greece to the E.C. countries in the postwar period).

The logic of the "push-pull" factor approach is quite different; first of all, it is a macro rather than a microeconomic approach. Emigration may occur as a result of "push" factors prevailing in the emigration country, such as lack of access to land, lack of employment, low wages, drought and famine population increase, etc. It may also occur as a result of "pull" factors exercised by the immigration countries (in the form of attractive alternatives to the push factors), or even due to the simultaneous operation of both sets of factors (Jackson, 1986, p. 13). If a country possesses more labour than it needs at a particular moment, it exercises a series of repulsive factors to the excess labour force in order to get rid of it. Low wages and job opportunities and high unemployment are some of these repulsive factors.

On the other hand, countries witnessing labour shortages exercise attracting forces (high wages and job availability, low unemployment etc.), in order to pull the necessary additional labour. One could say that this should be a "push and pull" factors approach in the sense that repulsive and attracting forces may operate simultaneously if a country wants to export the labour force another country wants to import. The problem in this case is what happens if the wishes and the interests of the two countries do not coincide; in other words, if push and pull factors work in opposite directions, which will be the most important ones.

It is obvious that the centre of gravity of this analysis is not on the individual potential emigrant; his role under the "push-pull" factors approach is more passive in the sense that, his decision to

emigrate will be determined by the interaction of forces exercised by the two countries. The probability of the emigrant being better off after emigrating is here only one of the conditions for emigration to occur (whereas it was the decisive one under the other approaches), the basic one being the probability of emigration serving the interests of at least one of the two countries.

The "push-pull" factors approach has received a lot of criticism, especially from the "brain drain" theorists; this criticism is based on the ground that it is analytically weak, since it does not properly take into account the comparative aspects. Those who criticise this approach believe that from a motivational point of view the decision to emigrate has always been affected by comparative considerations.

This criticism is fair enough; it is true that the "push-pull" factors approach is based on absolute rather than comparative aspects between countries. The "push-pull" factor approach cannot be based on relative/comparative notions, because it's main aim is to examine whether migration would occur in the absence of one of these two sets of factors. It is quite logical to expect that a rational individual possessing (relatively) sufficient information and being able to evaluate it will take the comparative rather than the absolute aspects into account; given this, the validity of the "push-pull" approach is in serious doubt. But what happens if the sufficient information and evaluating ability hypotheses are dropped? Should we expect perfect information and ability to evaluate this information from an unskilled labourer? Probably not. In such a case the "push-pull" factors approach may prove to be of more explanatory value than the other approaches.

E. A THEORETICAL FRAMEWORK FOR THE POSTWAR INTRA-EUROPEAN MIGRATION.

1. The Characteristics and the New Elements of Migration in the Postwar Period.

The patterns and the characteristics of the postwar intra-European migration are unique in the sense that never before had the European continent experienced such flows. During the colonisation era, people were emigrating from the metropolises to the colonies. Later, in the 19th century and until the late 1910s, massive emigration from Europe to the "new" countries (U.S.A., Australia, Canada, etc) took place, the

driving force being the availability of land in these countries. Since 1914 though, the U.S.A. imposed several restrictions on the numbers of immigrants they received annually; in a sense, the U.S. became more interested in quality rather than quantities of foreign labour. All through these three distinct periods of international emigration, Europe had been the origin rather than the destination of migrant labour. However, in the postwar period migratory flows started taking place among the European states.

In the first postwar years, significant (in size) human flows took place from Eastern to Western European countries. The problem with these flows however is that they should be considered as movements of refugees (that is for political reasons) rather than labour migratory flows.

Besides these movements, what characterises the postwar period in Europe is the massive temporary migration of unskilled labour from the less to the more developed European countries.

The importance of the state as a planner and investor had increased, particularly since the World War II. In accordance with the Keynesian doctrines which dominated in that period, the achievement of full employment and the avoidance of imbalances in the labour market were considered as tasks for the policy makers. Soon enough most of the industrially developed Western European countries reached full employment and, in fact, some of them were faced with shortages of unskilled and skilled labour.

Generally speaking, after full employment is reached, if demand pressures persist and intensify, it will be easier for the domestic labour force to upgrade to better paying jobs; this upgrading though will be increasingly accompanied by labour shortages in particular sectors of the economy. These sectors need not be the same in every country but the nature of the jobs is very similar; they are low-paying "socially undesirable" jobs or, in other words, jobs in the secondary labour market (Cornwall, 1977, p. 88). However, although these labour shortages may occur in particular industries or occupations, they signify a general shortage of labour to which, according to Bohning (1972) there are four possible responses:

1. A country may either undertake a program that would radically alter the relative wage structure of the economy, allowing workers in socially undesirable jobs to be paid higher relative wages.

2. It could relax its full employment goal.
3. It could fill the socially undesirable jobs with foreign workers hired on a temporary basis.
4. It could encourage permanent settlement by foreign workers and their families.

For reasons which will be analysed in the following chapters the Western European countries chose the third and fourth (West Germany with the Turkish immigrants) options.

2. A Re-Evaluation and a Modification of the Theoretical Framework.

At this point, temporary migration should be defined in contrast to permanent. The temporal character of migration is defined relative to the remaining period of employment of an individual, his working life rather than his natural life. In that respect, we could say that migration is temporary provided that an individual emigrates for a relatively short period of his working life and returns (or intends to return) to his country of origin before retirement. Depending on the age of the emigrant, this implies at least three periods in the employment of a person on a life basis: the period of employment (or unemployment) in the emigration country before emigrating, the period of employment in the immigration country and the period of employment (or underemployment) in the emigration country after his repatriation.

Although the applicability of the theoretical approaches on the causes of migration analysed in the previous section of this chapter as far as the postwar intra-European migration (and the one from Greece to the E.C. countries in particular) is concerned will be tested in chapter four, at this point we could say that: the theoretical approaches on the causes of migration analysed in section D could be divided into three groups.

The Neomarxist approach is in the first group. The pure Neoclassical and Keynesian approaches, together with the human capital-brain drain one are included in the second one, their common characteristic being that they focus on relative rather than absolute considerations. Finally the "push-pull" factors one is in the third group.

Besides the already mentioned problem of generality of the Neomarxist approach, there is an additional one; most (if not all the determining factors of migration according to this approach (the international division of labour, dependence etc) are qualitative and

cannot be expressed in quantitative terms and therefore their importance cannot be investigated quantitatively. Given these limitations, the Neomarxist approach will serve as a general (and very useful indeed) framework rather than a specific theoretical hypothesis to be tested.

As far as the second group is concerned, the main reservations have to do with the fact that the approaches it includes refer to the migration of skilled rather than unskilled labour. As already mentioned, the relatively sufficient information and evaluating ability (of this information), implicit assumptions they are all based on do not seem to be valid in the case of unskilled labour. Nevertheless this will have to be further investigated in chapter four.

Although one could argue that the "push-pull" factors approach is the least complete, it may prove to be of the greatest explanatory value, since it is not based on specific strict (and subject to criticism on the ground of how realistic they are) assumptions such the perfect or even on the partially correct and known information ones. This approach may explain better the fact that unskilled labour emigrated, but it will have to be amplified in order to explain the temporary nature of these migratory flows. This amplification needs to be done firstly on the grounds of "push" and "pull" factors expressed in relation to short and medium-run rather than long-run considerations of the emigration and the immigration countries. This is relatively easy; the difficult task is the second one, namely the formation of short and medium rather than long-run considerations from the emigrants point of view. It is true that the "push-pull" factors approach stresses the role of the countries involved, but after all, these factors simply represent signals influencing the decision of a person to emigrate.

The decision to emigrate temporarily does not need to lie in short and medium term considerations only. A person may decide to emigrate temporarily hoping that he will manage to stay in the immigration country permanently or, plan to return on the basis of long-term considerations. Whether this will prove to be the case will depend both on his decision to stay or return after a certain interval and on the "pull" (stay) or "push" (leave) forces the immigration country exercises on immigrants. Besides that, an individual may decide to emigrate temporarily simply because he plans to build up some savings

abroad which he will use after repatriation. This explanation is in line with the "life-cycle hypothesis" and will be further analysed in a separate chapter on remittances (chapter six).

For the case we plan to examine, besides the investigation of whether comparative or absolute considerations were the decisive ones for emigration from Greece to the E.C. countries to occur, the "push" factor hypothesis will have to be tested versus the "pull" factor one.

Last, but not least, one should keep in mind that the debate on the preponderance of the "push" or the "pull" factors could be seen as a test of Say's law on emigration. Does demand ("pull" factors) create its own supply or, is it the other way round? Moreover, is the wage rate or the availability of jobs in either group of countries that influences the most a persons decision to emigrate? In other words, could the Neoclassical (supply-side and wage oriented) view of the world be tested versus the Keynesian (demand-side and job availability) one within the "push-pull" factors approach?

As far as the Keynesian approach is concerned, there seems to be no problem in applying it within this context and especially within the "pull" factor one. Immigration could be viewed as a factor relaxing the supply of labour constraint, shifting the supply of labour (SL) curve to the right (and possibly changing its elasticity). So, the only assumption needed is that the employers now refer to a larger labour market including both domestic workers and potential migrant labour. The same, more or less, could be said about the application of the Neoclassical approach within this context. In such a case though, we should assume that an individual's decision to emigrate depends on the outcome of the comparisons he makes between the (absolute) wage rate in the immigration country and the cost of migration (which is difficult, if possible, to express quantitatively, but may as well be assumed to be fixed).

In conclusion, therefore, one could say that the debate between the Neoclassical hypothesis could be tested versus the Keynesian one within the "push-pull" factors approach. This could be easily done by testing the relative importance/significance of wages and job availability as explanatory variables in the "push" and "pull" factors models of migration (chapter four).

C H A P T E R T W O

**" THE POSTWAR PATTERN OF DEVELOPMENT AND THE EVOLUTION
OF THE PARTICULAR FACTORS WHICH INFLUENCED THE POSTWAR
EMIGRATION FROM GREECE TO THE E.C. COUNTRIES "**

In this chapter, the economic environment in which emigration from Greece to certain E.C. countries (especially West Germany) evolved in the postwar period will be analysed. Methodologically speaking, the analysis will proceed from the general to the specific, that is, the examination of the particular factors will follow the description of the postwar pattern of development (especially that for the period 1960-1975 when migration and repatriation mainly happened) of the countries in question.

The factors influencing movements of labour, differ in each case both as to their characteristics, as well as to the extent to which they determine the appearance and the evolution of the phenomenon. An exhaustive analysis of these factors, though, can contribute a great deal to the investigation of the causes of emigration under one condition: that one takes into account the general economic framework which determines, and at the same time is determined by these factors. As far as the particular subject is concerned, the investigation of the causes of migration will have to follow the analysis of the economic environment in which emigration took place. We should keep in mind, however, that a full analysis of this subject is both very difficult (if not impossible) and beyond the scope of this thesis. What could be done, though, is to limit the analysis of the postwar development to the aspects concerning the postwar intra-European migration.

A. THE POSTWAR PATTERN OF DEVELOPMENT: THE FUNDAMENTAL STRUCTURAL CHANGES.

1. The Positive Evolutions.

The basic characteristic of the postwar period in W Europe is the extremely rapid economic growth which can be, mainly, measured by the impressive increase of GDP and corresponding evolutions for the rest of the macroeconomic indicators. In particular, as far as Western Europe is concerned, we may observe rates of economic growth which could be characterised as unprecedented, at least compared to those of the prewar period (Boltho, 1982, p. 10). The long term trends of GDP (average annual changes) for various Western European countries can be seen in table I-1.

The next step is to trace the causes of this rapid growth. The postwar period is marked by rapid and significant structural changes in

the economies of the European countries which are related to development with a cause-effect relationship.

Table I-1: Long-term GDP trends in Western Europe in the period 1870-1989. (average annual percentage changes)

country \ period	1870-1913	1922-37	1953-73	1973-9	1980-6	1987-9
France	1.6	1.8	5.3	3.0	0.89	2.93
F.R.G.	2.8	3.2	5.5	2.4	1.46	3.10
U.K.	1.5	2.3	5.3	2.6	1.33	3.58
Spain	-	1.7 ^a	6.1 ^b	2.8	1.83	5.25
Austria	3.2	0.8	5.7	3.1	2.06	3.36
Belgium	2.0	1.4	4.3	2.3	0.94	3.50
Denmark	3.2	2.9	4.3	2.1	2.18	-0.40
Finland	2.8	4.4	5.0	2.3	3.18	4.30
Netherlands	1.9	1.9	4.9	2.5	0.82	2.76
Norway	2.1	3.4	3.9	4.4	3.28	2.85
Sweden	2.8	3.5	3.9	1.8	1.80	2.43
Switzerland	2.1	2.1	4.6	-0.4	1.91	2.50
Total	2.0	2.5	4.8	2.4	1.80	3.01

a. NDP 1922-1935

b. 1954-1973

c. 1926-1939

Sources: a) Maddison, 1977.
b) Boltho, 1982, p. 10.
c) OECD, Country surveys, (various issues).
d) Own calculations.

The basic structural changes of the postwar period could be summarised as follows:

- a) increasing importance of the secondary sector in most Western European countries (the U.K. being the exception for most of the period), at the expense of the primary one, especially after the early 1960s,
- b) gradual opening of the economies to international trade and
- c) the structuring of a new institutional framework on international economic relations corresponding to the new situation with the formation of economic institutions such as the E.C.

Before analysing these three structural changes, it should be made clear that besides their interrelations, they caused a series of other evolutions of (relatively) secondary importance.

The postwar period is marked by the fast expansion of the manufacturing sector in all the Western European countries. It is

Table I-2: Percentage distribution of the labour force by sector of economic activity in Greece, Spain and the EC-9 (1950-88).

	1950	1960	1970	1980	1988
<u>E.C. (9)</u>					
Agriculture	25.00	16.49	9.69	7.43	6.47
Manufacturing	41.50	45.34	45.79	38.55	30.96
Services	33.50	38.17	44.52	54.02	62.57
<u>Spain</u>					
Agriculture	52.58	44.39	26.42	18.85	16.1
Manufacturing	27.00	32.38	39.72	36.05	32.0
Services	20.42	22.73	33.86	45.10	51.8
<u>Greece</u>					
Agriculture	54.02	48.99	34.89	30.27	27.5
Manufacturing	25.01	23.51	35.09	39.49	28.1
Services	20.97	27.50	31.02	30.24	44.4

Sources: a) Negreponi-Delivani, 1986, p. 42.
b) O.E.C.D., country surveys, (various issues).
c) Own calculations.

Table I-3: Percentage distribution of GDP by sector of economic activity for Greece, Spain and the E.C.(9) (1950-1988).

	1950	1960	1970	1980	1988
<u>E.C. (9)</u>					
Agriculture	16.8	12.4	5.5	4.1	3.8
Manufacturing	41.3	44.8	48.0	43.8	41.2
Services	41.9	42.8	46.5	52.0	55.0
<u>Spain</u>					
Agriculture	-	22.6	13.5	7.5	5.2
Manufacturing	-	33.2	34.3	35.8	37.6
Services	-	44.2	52.2	56.6	57.2
<u>Greece</u>					
Agriculture	27.8	23.1	18.2	14.3	13.1
Manufacturing	20.1	25.8	31.3	32.5	30.2
Services	52.1	51.1	49.5	53.2	56.7

Sources: a) Bank of Greece, 1982, pp. 246-248.
b) Donges, 1982.
c) O.E.C.D., country surveys, (various issues).
d) Own calculations

indicative that agricultural employment is rapidly shrinking (table I-2) and, at the same time agriculture's contribution to GDP formation is also falling (table I-3). It is obvious that manufacturing gains in

importance both in terms of employment as well as in its share in GDP.

Several theoretical approaches on the causes of the fast postwar growth in Western Europe have been elaborated (Surveyed in Boltho, 1982). Some of them attribute this growth to supply factors and others to demand ones. For the former the importance of labour supply is evident. The latter stress the decisive role of demand in the postwar period; according to them the high growth rates were the consequence of the increases in aggregate demand, induced by a series of factors such as the reconstruction and the expansionary policies followed by most Western European countries.

The continuous growth of GDP, though, would not have been possible if factors of production had been scarce. The availability of factors of production cannot cause growth by itself, but it can facilitate it, provided that aggregate demand increases too. In the first postwar years factors of production were abundant; employment in the manufacturing sector was increasing at an annual rate of 0.6% during the period 1953-1973 while never before had this rate exceeded 0.4% (Boltho, 1982, pp. 11-12). The increases of gross investment in manufacturing were even more impressive; just after the war, the European countries had adequate and relative cheap technology (developed by the U.S.A. during the war) at their disposal (Maddison, 1977). This availability of technology initiated investment and profits and finally the growth of the output of manufacturing. Soon enough though, the European countries lost their access to the U.S. technology and turned, almost entirely, to the quantitative increase of their capital stock (capital widening instead of capital deepening) (Cipolla, 1976).

An increase of the capital stock, even if it is not accompanied by improvements in technology (although according to Kaldor (1966, 1968 and 1975) the two would be intimately linked), is a positive factor as far as labour productivity is concerned, since it increases the capital-labour ratio (Denison, 1967). This evolution for Europe is shown in tables I-4 and I-5.

The Greek experience was to a great extent similar to that of the other European countries. In fact, in the postwar period, Greece witnessed an acceleration of the exodus of the rural population to the two civil sectors of the economy, an increasing contribution of manufacturing to GDP formation and an impressive increase of

productivity in Greek manufacturing (Negreponi-Delivani, 1983, p. 132). These facts, though, do not necessarily imply parallelisms. The impressive performance of the Greek economy in terms of its main macroeconomic indicators took place while the country was at a lower level of development than most of the other European ones. As a result, although Greece's GDP and productivity growth rates, in the 1960s, were among the highest in Western Europe, its per capita income was among the lowest and labour productivity in the Greek manufacturing only equal to 43.1-48% of the corresponding one for the industrialised Western European countries (op. cit., pp. 13-4).

Table I-4: Gross fixed capital formation as a % of GDP in W. Europe

country \ period	1928-1938	1950-1970
France	11.8	15.6
F.R.G.	9.7	17.7
Italy	13.6	14.8
U.K.	5.7	12.9
Austria	6.1	18.3
Denmark	8.9	15.5
Norway	12.4	23.7
Sweden	10.5	16.4
W. Europe	9.6	16.8

Source: Boltho, 1982, p. 11.

Table I-5: Labour productivity (GDP per employee) in W. Europe.
(Annual percentage changes)

country \ period	1953-5	1953-61	1961-73	1973-9	1980-6	1986-9
France	4.3	5.0	4.6	2.8	2.4	2.2
F.R.G.	5.2	5.2	4.5	3.2	2.0	1.6
Italy	4.6	5.5	5.6	1.5	1.2	1.7
U.K.	2.2	2.0	2.9	1.2	1.9	2.4
Spain	5.0	4.0	6.0	4.2	3.2	3.4
Austria	4.8	5.5	5.1	2.9	2.2	1.4
Belgium	3.3	2.8	4.1	2.3	2.4	1.9
Denmark	2.8	3.2	3.1	1.3	1.7	0.2
Finland	4.2	4.8	4.4	2.5	2.0	3.4
Ireland	3.5	3.4	4.3	2.2	0.5	2.7
Netherlands	3.4	3.1	4.2	2.3	1.8	1.3
Norway	2.8	3.1	2.9	2.2	2.4	0.0
Sweden	2.6	3.0	3.2	0.6	1.4	1.8
Switzerland	2.6	3.1	2.9	0.9	1.6	1.0
OECD (Europe)	3.8	4.1	4.3	2.3	1.4	1.4

Source: OECD, Economic Outlook, (various issues).

Two very interesting aspects relative to the Greek economy (its secondary sector in particular) have to do with the structure and the investment rates of the Greek manufacturing sector. As far as its structure is concerned, the postwar period, until the mid-1970s, is marked by the increasing importance of the capital-intensive industrial sectors relatively to the labour-intensive ones, as far as the formation of industry's GDP is concerned (table I-6). This was very encouraging and, to a certain extent, expected for an industrialising country, since it proves the gradual abandonment of the traditional production methods and the adoption of modern capital-intensive ones.

Table I-6: Percentage composition of manufacturing GDP in Greece by branch (1948-1973) in constant 1954 prices.

Branch	\ Year	1948	1952	1955	1958	1960	1965	1970	1973
A. Food, beverages, tobacco		25.3	22.9	23.3	23.7	21.2	20.8	18.9	16.4
B. Textiles		17.5	18.1	16.0	15.2	13.6	14.1	14.5	16.3
C. Footwear and clothing		19.7	18.6	19.6	15.4	14.3	14.2	9.0	8.7
D. Wood products		8.0	7.7	7.6	7.8	7.4	6.9	6.3	6.6
E. Paper products		2.8	3.4	3.9	4.5	5.4	5.8	5.2	4.1
F. Chemicals		10.8	11.8	11.2	10.8	13.6	12.1	11.2	12.5
G. Non-metallic minerals		3.6	3.8	5.2	5.6	5.4	6.1	8.5	6.4
H. Basic metal industry		0.6	1.1	1.6	1.8	2.0	2.2	7.2	6.9
I. Metal manuf. Engineer & Electrical Equipment		9.4	8.7	9.5	10.1	11.4	12.6	12.7	14.0
J. Transport equipment		-	1.0	2.2	2.6	3.0	3.0	3.9	5.6
K. Miscellaneous		2.3	2.9	2.6	2.5	2.7	2.2	2.6	2.7
Total		100	100	100	100	100	100	100	100

Sources: a) Koutsoumaris, 1963, p. 43.

b) Tsoukalis, 1981, p. 36.

c) Own calculations.

This optimistic conclusion though, on the progress of industrialisation in Greece is put into question because of an observed fall of gross investment in manufacturing at a time when any hypothesis of de-industrialisation would be highly premature, both as a percentage of GNP (4.97% in 1950, 3.89% in 1970) as well as a percentage of total gross investment (22.72% in 1950, 17.58% in 1970) (Bank of Greece, 1980, pp. 158-159). This feature differentiates Greece from the other Western European countries where investment in manufacturing was continuously increasing in that period and, at the same time is a very

negative indication for a developing country.

The second, but equally important characteristic of the postwar period was the impressive increase of the Western European countries exports. Besides the favorable environment for the expansion of international trade, determined by the monetary stability (Bretton Woods system) and the liberalisation of trade (GATT, EC, EFTA), this was mainly due to purely economic factors (although one could say that the reverse causation was true). The Western European countries achieved high competitiveness through increases in productivity, fixed exchange rates vis-a-vis the U.S. dollar or even a combination of these two factors. This high competitiveness facilitated the expansion of exports and the emergence of balance of payments surpluses. This fact initiated high profit expectations for the producers and, consequently, further investment, productivity and GDP increases (Beckerman W., 1962, and Boltho, 1982, pp. 17-18 and 32-33). In table I-7, we can see the trend in the balance of payments of the Western European countries.

Table I-7: The W. European balance of payments (average annual sums in billions of \$ U.S. - constant prices).

	1950-4	1955-9	1960-4	1965-9	1970-3
Balance of current account	1.4	1.8	-0.3	2.0	4.3
Changes in reserves	1.3	1.1	2.4	0.3	12.7
U.S. balance of current account with W. Eur. countries	-1.0	-1.0	0.9	-0.2	-2.2

Source: Boltho A. (editor), 1982, p. 18.

The main characteristics of the Greek balance of payments in that period were the permanent balance of current account deficit and the very slow rate of increase of the reserves, at least relatively to the other Western European countries. The deficit in the balance of current account was mainly caused by the structural trade deficit (receipts from exports as a percentage of payments for imports fluctuated from 25% to 40%) which was by far higher than the surplus in the balance of invisibles (Bank of Greece, 1980, p. 184). The trade deficit emerged in spite of the tariff protection of the Greek economy and increased because of the gradual opening of the Greek economy.

The third (and main) characteristic of the postwar period was the

development of a new framework on the European as well as the international level which influenced the economies of all countries involved. In Western Europe in particular, the creation of the E.C. and E.F.T.A. had an additional effect, besides the liberalisation of trade and the integration of the economies of their members,: It gave a formal character to the postwar division of labour in Western Europe where two distinct groups of countries emerged. The group of the industrialised developed ones (where the six founding E.C. members and most of the EFTA countries could be included, taking into account existing differences between them), and a second one comprising the industrialising less developed countries which included countries such as Greece, Spain and Portugal. One of the basic differences between these groups was that the former included countries where labour shortages were already appearing, while the latter included labour abundant ones (Kindleberger, 1967).

2. The Negative Evolutions.

The slowdown of the growth rates in Western Europe after 1973 was sharp and generalised for all the countries. The GDP growth rate fell to 2.5% for the period 1973-1979 from a 5% in the period 1968-1973 (Boltho, 1982, p. 20). It sped up though after 1982 (table I-1). This slowdown was accompanied by high inflation rates which, for the first time, coexisted with high unemployment. This economic recession was, at the beginning, considered temporary, as was the rapid growth it followed. Soon enough, though, it became obvious that this was a structural and, therefore, persistent recession which could not be tackled by conventional policy measures. In fact, it was a recession of the postwar capitalist development model in total.

There have been many theoretical approaches on the causes of the rapid economic growth in the 1950s and the 1960s and the recession of the 1970s. One of them, better known as the Kaldorian theory of growth stresses the role of manufacturing. According to that, industry functioned, until the recession, as the "engine of growth" pulling the economies of the developed countries to high growth rates (Kaldor, 1966, 1975 and Cornwall, 1976). The causes of the economic stagnation, therefore, could be searched in terms of industry's inability to continue acting as the "engine of growth".

Table I-8: The evolution of investment (a) in the EC countries (in %)

Country \ period	1965-9	1970-3	1974-9	1980-6	1987-9
France	23.3	24.3	22.5	20.9	21.0
W. Germany	23.6	24.4	21.2	20.8	20.7
Italy	23.8	23.3	20.0	16.9	22.3
U.K.	20.3	20.3	18.8	20.5	21.9
Belgium	23.9	22.3	21.9	18.1	17.9
Denmark	24.5	26.1	22.8	17.3	18.9
Netherlands	25.2	24.3	20.8	19.5	21.6
Spain	22.6	23.0	21.9	10.6	22.2
Greece	26.8	29.4	22.9	20.7	17.2

(a) Gross fixed capital formation as a % of GDP in constant prices

Sources: a) Bank of Greece, 1982.

b) Boltho, 1982, p. 23.

c) OECD, country surveys, various issues.

d) Own calculations.

According to the view taken above, the recession of the 1970s and the 1980s could be characterised as a recession of the manufacturing sector. The economic indicators related to manufacturing were moving in the opposite direction to that followed in the 1950s and the 1960s. Productivity in most European countries fell by 1.7-2.2 percentage points per year relatively to the period 1961-1973 (Boltho, 1982, p. 21). This fall of productivity could be primarily explained in terms of the drop of economic activity in general, provided that the cause to effect relation is valid in this case. It is true though, that the fall of productivity in the E.C. countries seems to go hand by hand with the drop in investment ratios (table I-8).

The competitiveness of the European goods fell, relatively to that of their main competitors (U.S.A. and Japan) (op. cit., pp. 60-63) as a result of the drops in productivity and the continuous rising trend of the prices. Consequently exports dropped and balance of trade deficits appeared; things deteriorated due to the quadrupling of the price of oil which the European countries had to import. These deficits coupled with the uncertainty following the breakdown of the Bretton Woods system undermined producers expectations, causing a further fall in economic activity.

The recession hit the Greek economy severely; the analysis carried out for the other European countries could be extended to Greece

(stressing the fact that the performance of most of its macroeconomic indicators was much worse) had Greece been at a similar level of development. The fact that Greece was lagging behind, though, explains, to a certain extent, the intensity of the recession in its case. After 1973 Greece witnessed low growth rates, drops in productivity and investment, increases of the balance of trade deficits and very high inflation rates (relatively to the 1960-1973 period).

Besides the description of the characteristics of the recession, what really matters are its causes. The answers to this question, are entirely different for Greece and the other European countries.

The recession in the industrialised Western European countries was caused by the inability of the manufacturing sector for further expansion, at least by the early postwar standards (although one could say that a feedback relationship existed between these two variables) (Negreponi-Delivani, 1986). Economic development in these countries was based on industry's ability to expand by absorbing cheap labour either from the other sectors of the economy, or other countries. Following a Kaldorian line of argument, one could explain this inability for further absorbtiveness on the ground that the European countries had reached the stage of "economic maturity" characterised by an increasing importance of the tertiary sector at the cost of the secondary one, since the demand for manufacturing products had ceased to increase at the rates of the 1950s and the 1960s (op. cit.). One could add other explanations, such as the one related to the falling rate of profits caused by the increasing power of trade unions, and the one stressing the role of economic policies as far as forming favourable expectations are concerned (for a review of these alternative explanations to postwar European growth and recession (see Boltho, 1982, pp. 9-37).

This conclusion though, cannot be applied to the case of Greece, since the Greek industry never really progressed like the Western European ones. We cannot speak of "maturity" of the Greek industry, in spite of the fact that the tertiary sector in Greece is increasing in importance, since industrialisation was not completed. The recession of the Greek economy can be explained to a very large extent, in terms of its distorted and old-fashioned structure and its dependence on the developed countries. This dependence, besides its negative impact on economic development, functioned as a mechanism of transmission of the

recession in the mid-1970s.

B. THE DEADLOCK.

In the previous part of this chapter a sketch of the postwar growth was attempted, both for Greece and the E.C. countries. As far as migration is concerned the analysis will have to focus on the supply of labour relatively to the ability of these economies to absorb labour. The emergence of labour shortages and surpluses, especially when they seem permanent in the medium-run is a disequilibrium factor and a deadlock for any economy.

In the two following paragraphs this deadlock will be analysed for Greece as well as the E.C. countries.

1. The Greek Economy.

One of the basic characteristics of the Greek economy, in the postwar period, is the high population increase (the average annual rate of increase was 1% in the period 1951-1961), while the increase of the labour force is even more impressive (1.2% per year in the same period), (Hatzoglou, 1963). This increase was by far higher than that for the E.C. countries (table I-10).

Unemployment rates in Greece in the 1950s and the 1960s were 3.9-5.9% (Babanasis, 1985); these rates were higher than the ones in the E.C. countries, but one must keep in mind that the official unemployment data in Greece were not comparable to those for other European countries for two main reasons: The first one has to do with the way unemployment was estimated in Greece (in fact, the estimation method only changed in 1981; until 1981 only those eligible for unemployment benefits were included); the second has to do with the fact that the data on unemployment did not take into account underemployment in the agricultural sector. Given that this rate of underemployment was around 25% in that period (Hatzoglou, 1963), it is obvious that Greece had massive labour reserves for which productive employment had to be found.

Not all Greek economists seem to agree with this point of view though. In fact Pepelasis and Yotopoulos (1962) believe that the surplus of labour in Greek agriculture was exhausted by 1953 and ever since there has been a shortage of labour in Greek agriculture,

particularly obvious in the crop seasons. This point of view, of course, has been subject to a lot of criticism and, generally speaking, it is believed that a very large part of the agricultural labour force (around 60% on aggregate for the period 1972-1981) (Vergopoulos, 1975 p. 20), could have left agriculture without any substantial loss in terms of aggregate agricultural product (Kindleberger, 1965, pp. 243-4).

As in the other countries in the same period, this surplus of labour was expected to be absorbed by the expanding manufacturing sector. These expectations though, were not fulfilled in the case of Greece. In the period 1960-1970 the manufacturing product increased by 10.2%, but employment in manufacturing only increased by 1.1% (Tsoukalis, 1981, pp. 29-31). In addition (and that is the negative indication), the absorbtiveness of labour of Greek manufacturing, in the postwar period, showed a negative trend (Koutsoumaris, 1963, p. 68). It is indicative that, while 82% of those employed in the secondary sector were employed in manufacturing, by 1981 this percentage had fallen to 66% (Fotopoulos, 1985, pp. 118-9). The expansion of the Greek secondary sector in the postwar period, both in terms of production and employment was to a great extent due to the expansion of constructions.

In table I-9 (Appendix) we can see the trends in production and employment in the various sectors and branches of the Greek economy for the period 1951-1981. The fact that employment in manufacture increased very slowly relatively to the product of this sector, proves that the labour absorbtiveness of Greek manufacturing was by all standards extremely low.

A full analysis of the reasons for this failure of Greek manufacture to absorb the surplus of labour is beyond the limits of this thesis since it requires a full analysis of the postwar development model of the Greek economy. One should attempt, therefore, to approach this subject briefly.

A plausible explanation for this low absorbtiveness could be the postwar shift to capital intensive productive units (table I-6). In fact, such a turn minimises industry's labour absorbtiveness in the short-run. In the particular case of Greece though, this explanation is oversimplified, since it does not take into account the nature and the causes of this shift.

Industry's failure to absorb labour can be explained in terms of the

dependent character of industrialisation and the structure of consumption (Fotopoulos, 1985, p. 124). As far as the structure of consumption is concerned, it seems that the highly uneven income distribution does not only limit the size of the internal market and therefore the potential of industrial development oriented to this market (Negreponi-Delivani, 1983), but in addition, determines the methods of production (labour or capital intensive) and, therefore, the size of employment itself (Fotopoulos, 1985). If high-income consumers, imitating foreign consumption standards, demand luxury products produced by capital-intensive methods, these goods will either have to be imported, or domestically produced. A large part of this demand is satisfied by imports, but at the same time, domestic production tends to adjust to their requirements because of their high purchasing power. The intensity of these trends depends on the size of inequalities of income distribution and in particular on the ratio income of self-employed/ income of wage earners which is determined by the structure of employment.

We could, therefore, conclude that the analysis of the structure of consumption in Greece could help a lot in explaining the structure of Greek industry and, therefore, its ability to absorb labour; it could also contribute in explaining the structural trade deficit of Greece.

In conclusion, it could be argued that in the postwar period the Greek economy was faced with a deadlock consisting of an expanding labour surplus and the inability of its industry to absorb it.

2. The E.C. Countries.

In the 1950s and the 1960s Western Europe witnessed an impressive economic prosperity in terms of GDP growth, which increased the demand for labour; as a result those unemployed and underemployed were soon absorbed. The minimisation of unemployment is the distinguishing feature of the period 1955-1973, with unemployment rates ranging between 1% and 3% of the labour force in most Western European countries for most of the period (Boltho, 1982, p. 173). By historical standards this was unprecedented (Kindleberger, 1967); for the first time not only civil unemployment almost vanished, but underemployment in agriculture and other low productivity sectors fell considerably. The effects of full employment were pressures for wage increases and a redistribution of income from capital to labour (Maddison, 1977,

p.116).

In table I-10 the trends of GDP, gross investment, labour force and labour productivity are shown for the periods 1954-1959 and 1959-1963. The data in this table indicate that GDP growth and increases of the labour force went hand by hand in all Western European countries except Italy (the hidden economy in that country being the most plausible explanation).

Even though the basic characteristics of the labour markets in Western Europe are more or less the same, the period of economic prosperity could be divided into two subperiods; the first one lasts until the mid-1950s and its main characteristic is that most countries still have labour reserves which increase (in some of them, at least) by the inflow of refugees from Eastern Europe. The second one lasts until the late 1960s and is characterised by a rapid economic growth causing an increased demand for labour (especially in manufacturing and constructions). The additional domestic supply of labour (especially of young workers) was extremely limited in that period because of the low fertility rates during the war (Boltho, 1982, pp. 160-5).

Table I-10: Changes in GDP, labour force, labour productivity, and gross investment ratio in the E.C. countries.

GDP		Labour force		Productivity		Investment (1)	
1954-9	1959-63	1954-9	1959-63	1954-9	1959-63	1954-9	1959-63
6.9	5.4	1.6	0.8	5.7	4.6	21.7	23.9
5.7	6.2	1.1	0.1	4.8	6.1	23.0	26.1
3.7	5.2	1.2	1.4	3.6	3.7	24.0	26.1
4.6	5.8	0.1	0.7	4.3	5.1	20.2	21.7
2.0	3.8	0.3	0.5	2.7	3.3	18.0	19.1
2.0	2.6	0.6	0.9	1.8	1.7	16.7	19.3

1) Gross fixed capital formation as a % of GDP
Source: Kindleberger, 1967.

In table I-11 we can see that since the mid-1950's and until the late 1960s, the natural increase of the civilian labour force contributed very little to the increase of dependent employment in manufacturing and services in the E.C. countries. The labour force required to close this gap between supply and demand had to come from countries or regions where it was abundant.

During the reconstruction period (1945-1955), various factors (mainly political) affected the European labour market, namely the inflow of refugees. The inflow of refugees from Eastern Germany increased FRG's labour force by seven million (Kindleberger, 1967, p. 28). Equally important, although smaller in size, was the inflow of 500,000 Poles in France and Belgium (UNECE, 1968). During that period, the domestic natural increase of the population was marginal in all the E.C. countries except Italy (table I-12). The relatively high rate of West Germany is due to the inflow of immigrants.

The demographic stagnation was obvious in many European countries. One may derive from table I-12 that the impressive increase of employment in the E.C. is due to West Germany where, the supply of labour seemed to match demand. In West Germany and the U.K., increases in employment led to increases in the participation rates while in Italy, exactly the opposite was the case, since employment increased at lower rates than population (Kindleberger, 1967).

Table I-11: The contribution of the various sources of labour supply to the civil dependent employment in the E.C. (in %)

	1955-60	1960-5	1965-70	1970-5
Increase of dependent civil employment (1)	1.70	1.70	0.80	0.40
contribution of: (2)				
civil labour force	0.20	0.08	-0.16	0.19
unemployed	0.57	-0.04	-0.07	-0.48
immigrants	0.33	0.52	0.29	0.20
internal immigrants from				
agriculture	0.64	1.02	0.72	0.41
self-employed	-0.64	0.12	0.02	0.10

(1) Average annual increase

(2) In percentage points

Source: Boltho, 1982.

These facts lead to the conclusion that, in the first postwar years, the Western European labour market seemed to provide the framework for a constant economic growth with low inflation.

In the period 1955-1965 the demand for labour increased in all the E.C. countries and, at the same time, the weekly hours of work were reduced. Employment in that period was increasing at an annual rate of

1.5% for manufacturing and 2% for services while, at the same time, unemployment fell to very low rates (Boltho, 1982). This excess demand for labour was partly satisfied by the natural increase of the population. Demographic growth in that period was by far higher than the one in the previous decade (table I-13).

Table I-12: Labour force and employment in the E.C. (1950-55).
(average annual percentage changes)

	France	W.Germany	Italy	U.K.	E.C.(6)
Population in working age brackets	-	1.4	1.0	0.1	0.6
<u>In particular:</u>					
15-24 years old	-1.0	2.2	-	0.3	-
25-54 years old	0.2	0.6	1.1	-0.2	-
55-64 years old	0.1	1.8	0.5	0.8	0.8
Total employment	0.1	2.7	0.4	0.9	1.0

Source: OECD, Labour force statistics, (various issues).

In France, the increase of young employees was impressive (the end of the colonial wars could be an explanation); in West Germany, on the other hand, in spite of the inflow of refugees, the percentage of young employees in the labour force fell.

Table I-13 Labour force and employment increases in the E.C.(6) (1955-1965) (average annual percentage changes).

	France	F.R.G.	Italy	U.K.	EC(6)
Population in working age brackets	0.9	0.6	0.6	0.4	0.6
Labour force	0.4	0.5	-0.1	0.5	0.4
Total employment	0.4	0.9	0.3	0.5	0.6
Agricultural employment	-3.7	-4.0	-3.5	-2.3	-3.5
Independent civil employment	-1.0	-0.4	0.6	-0.4	-0.2
Dependent civil employment	2.0	2.1	2.6	0.7	1.7

Source: OECD, Labour force statistics, (various issues).

The continuous increase of the labour force was by no means enough to meet the demand for labour in the civil sectors of the economy hadn't it been accompanied by internal (intersectoral) migration. The exodus of rural population doubled in the period 1960-1970 (Cipolla, 1976, pp. 364-6). The continuous expansion of industry and the

consequent absorption of labour from agriculture, reduced underemployment in the agricultural sector (Clough and Rapp, 1980, pp. 621-5).

The rural exodus could have been even more impressive had the national agricultural policies and the E.C.'s CAP (after 1958) not supported the farmers income. This support prevented many "marginal farmers" from leaving agriculture and seeking employment in the two other sectors of the economy.

The evolutions in West Germany, in particular, are of great interest since (as we will see) this country absorbed the greatest part of the Greek emigrants. From diagram I-1 one can derive the relation between GDP and labour supply increases. Many factors contributed to the rapid postwar growth of this country such as its monetary policy, the Marshall plan funds, its fiscal policy, the extensive accumulation of capital, the competitiveness of its products and its public investment (Boltho, 1982, pp. 528-544 and Kregel, 1963).

These factors supported aggregate demand and consequently GDP growth. GDP growth though, was also facilitated by the elastic labour supply which kept wages at low levels, preserving, therefore, high profit and investment rates and, consequently further increases in aggregate demand and GDP.

The sources of labour supply in FRG can be seen in table I-14; in the early 1950s, the natural population increase, the unemployed and the refugees were the main sources. Immigration appeared at low rates until 1960 and proceeded extremely rapidly ever since and until the recession. Already, by 1961 immigration was the main source of labour supply; this fact had many repercussions for the German economy. The main advantage of recruiting immigrants instead of refugees was that the number of immigrants was controllable and could function as a means of economic policy. In the face of labour shortages the German government in cooperation with the German employers proceeded to the recruitment of immigrants.

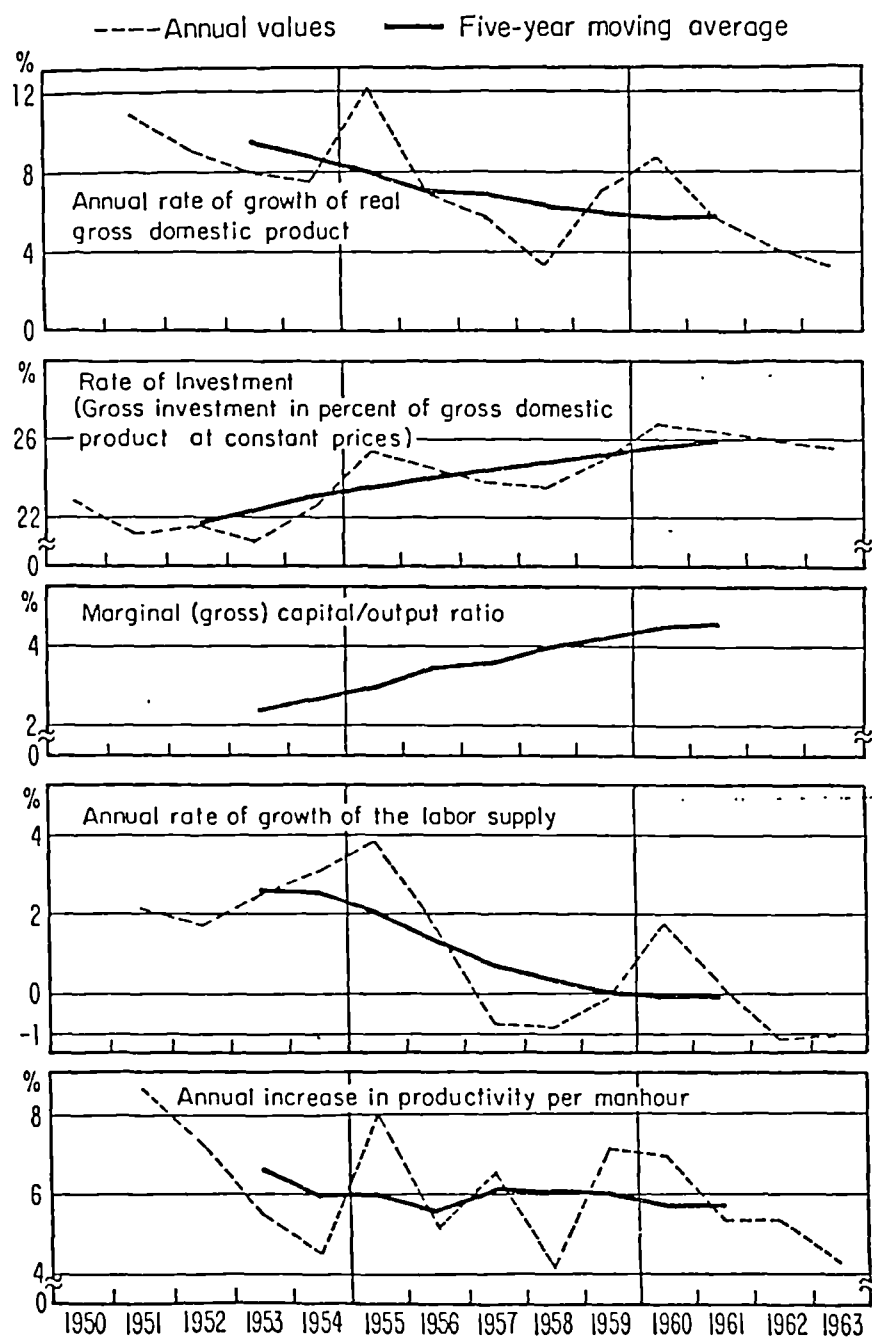
In table I-15 we can see the labour shortages in the W. German manufacturing sector in spite of the massive inflow of immigrants.

The economic recession after 1973 in the E.C. countries was manifested by a sharp deceleration of economic growth. The inability for further expansion of the traditional manufacturing sector which, as we have seen, could be seen as one of the main causes of the recession,

influenced the labour markets of the E.C. countries as well. After the impressive increase of the period 1955-1965, employment was stabilised in the period 1965-1973 and started to fall constantly, after 1973, in spite of the considerable reduction of weekly working hours. Only dependent employment continued to increase, although at much lower rates. It is quite impressive that in the period 1973-1979, when employment was constantly falling, the supply of labour was increasing faster than ever before. As a result, unemployment rose dramatically and by the late 1970s it had reached unprecedented, by postwar standards, levels.

The case of West Germany is particularly interesting. The fact that this country's supply of labour fell in the late 1970s can only be explained in terms of the reversal of the migratory flow. This country, therefore, appears to be the only one to have a labour supply fastly adjusting to demand for labour conditions.

Diagram I-1
Long-term trends of the W. German economy (1950-1963).
Growth indicators trend



Source: Kindleberger, 1967, p. 29.

Table I-14: Sources of labour supply in West Germany (1951-1964).
(Average annual changes in 000s)

	1951	1955	1960	1961	1962	1963	1964
Natural population increase	+255	+375	-35	-46	-90	-52	-28
Unemployment reserves	+148	+293	+241	+90	+26	-31	+14
Refugees	+127	+161	+56	+125	+116	+49	+2
Foreign workers	-	+8	+112	+196	+154	+144	+128
Statistical difference	-7	-2	+53	-21	-14	-13	+5
Employed workers	+523	+835	+427	+344	+192	+97	+121
Self-employed	-89	-37	-109	-55	-131	-153	-100
Total employment	612	+872	+536	+399	+323	+250	+221

Source: Kindleberger, 1967, p. 31.

Table I-15: Labour shortages in the W. German manufacturing.

Month/year	% of industrial firms declaring production foregone due to labour shortages	Month/year	% of industrial firms declaring production foregone due to labour shortages
10/1954	10	10/1959	50
7/1955	24	4/1960	56
10/1955	26	7/1960	62
4/1956	21	10/1960	54
7/1956	20	4/1961	50
10/1956	18	7/1961	52
4/1957	15	10/1961	58
7/1957	20	4/1962	51
10/1957	34	7/1962	54
4/1958	9	10/1962	48
7/1958	13	4/1963	38
10/1958	13	7/1963	46
4/1959	18	10/1963	48
7/1959	42	4/1963	53

Source: Frobel et al, 1980.

In the period 1967-1968, unemployment in West Germany rose as a result of a short economic recession. Things deteriorated after 1973 when the number of unemployed reached 1,350,990 people (5.9% unemployment rate); 149,914 of them were immigrants (immigrants unemployment rate 7.7%) (Hatzipanayotou, 1977, p. 60).

3. Conclusion.

The general conclusion of the first two sections of this chapter could be that labour movements from Greece to the E.C. countries in the postwar period were the effect of the pattern and the progress of economic development for each country separately.

Table I-16: Labour force and employment growth in the E.C., 1973-1979.
(average annual percentage changes)

	France	Germany	Italy	U.K.	EC(9)
Population in working age brackets	0.7	0.3	0.8	0.3	0.6
Labour force	0.8	-0.3	1.2	0.5	0.6
Total employment	0.3	-0.8	1.0	0.1	0.1
Agricultural employment	-3.6	-3.7	-2.4	-2.0	-2.9
Independent civil employment	-0.2	-1.3	1.2	-0.5	-
Dependent civil employment	0.8	-0.4	1.9	0.2	0.5

Source: OECD, Labour force statistics, 1968-1979.

As far as Greece is concerned in particular, it has been shown that the pattern of its postwar development could not guarantee full employment through an absorption of the labour force domestically. A strategy for economic development focusing on the achievement of full employment might have altered this conclusion (Papandreou, 1962), but such a strategy was never adopted. Some economists claim that emigration simply proves the failure of the emigration countries to keep their labour force and employ it domestically (Hoffman-Nowotny H., 1979, pp. 86-90) or, in other words that emigrants vote with their feet by leaving their country of origin (Tsoukalis, 1981).

As far as the E.C. countries are concerned, given their level of aggregate demand, one could conclude that their postwar development was based, to a great extent, on the availability of labour which was ensured by the inflow of foreign workers. Labour shortages could have thrown the development process into reverse; the "import" of labour therefore, was necessary since the domestic "reserves" had already been exhausted.

People do not emigrate simply because there are labour shortages and surpluses in different countries. The factors determining the departure of an emigrant from his home country have to be combined with those determining the demand for labour in the immigration ones (Nikolinakos, 1974, p. 7). In addition, emigration is directly connected to the

relations between the two groups of countries. Given the high dependence of the Greek economy and the special relations this dependence implies, one could say that the necessary (by country) combination of factors causing migration had been achieved.

Studying the causes of emigration from Greece is in essence the same thing as studying the underdevelopment and the dependence of the Greek economy in total. Migration functioned as a way-out mechanism given the deadlocks for Greece as well as the E.C. countries. Irrespectively of whether these deadlocks could have worked out in a different way, the evaluation of migration as an alternative should logically follow the analysis of its effects. One should mention though, that exporting labour as a means of reducing unemployment and underemployment has the advantage of immediate effectiveness. Since the deadlock had already emerged, emigration followed as the natural consequence.

C. THE EVOLUTION OF ECONOMIC ACTIVITY AND INCOME IN GREECE AND THE E.C.

It has already been mentioned in a previous section that migration can possibly occur as a result of differences in economic activity between two countries. It really seems rather reasonable to expect labour to move from a country witnessing low economic activity rates to another witnessing higher ones.

This analysis, of course, is based on several assumptions in the absence of which the aforementioned conclusion may be false. These assumptions could be summarised as follows: The country witnessing the higher growth rate does not have, at the same time, surplus labour which cannot be absorbed, at least in the medium run because, otherwise immigration is very unlikely to occur before the surplus labour is absorbed. Initial (before the emergence of differences in economic activity) lack of emigration is assumed as well. Another assumption has to do with the very nature of economic growth, and particularly, with faster growth causing a higher increase in employment.

In the previous section it was stressed that these two conditions did not apply in the case of the Greek economy relatively to those of the E.C. countries. One could therefore, conclude from the beginning that, in the case of emigration from Greece to the E.C. countries, the relatively higher GDP growth rates Greece achieved, narrowed the

GDP/per head gap between it and other E.C. countries but, did not necessarily imply higher employment increases potential.

The evolution of a country's GDP though, is not only related to employment increases. The continuous increase of GDP of a country could be interpreted as a sign that the welfare for this country's residents is improved through an increase of their incomes, especially when GDP increases faster than the population, despite the fact that one could argue that using the GDP per head as an indicator of welfare is subject to various caveats; As far as migration is concerned though, it is not at all certain that an increase of per capita income will reduce the expatriation trend, especially if this increase worsens income distribution for the potential emigrants. Such increases in per capita income may leave potential emigrants indifferent or even worse off. It is very possible, therefore, that the national income is unevenly distributed to such an extent that any increase of it does not imply a higher income for the low income residents of the country, where emigration is mainly recruited from, after all.

The Greek economy in the postwar period represents an extreme case of uneven income distribution, deteriorating almost constantly although the period for the lower income groups as shown by the evolution of indicators such as the Lorenz curve and the Gini coefficient (Negreponi-Delivani, 1981, pp. 162-70).

Having limited the analysis to the way GDP growth and movements of labour between two countries are related, the next step will be to examine the postwar GDP trend for Greece as well as the E.C. countries.

The GDP of Greece reached its prewar level as late as 1951 (Psilos and Westebbe, 1964, pp. 3-5); ever since and until the recession Greece's growth rate has been very high and in particular the highest among the OECD countries after Japan (Tsoukalis, 1981, p. 27). In table I-17 the growth rates of GDP in total, per capita and by sector is shown for Greece, Spain, Portugal and the E.C.(6) for the period 1960-1973.

Several points can be derived from table I-17: the growth rate in Greece in the 1960-1973 period was higher than the corresponding one for the E.C. countries (almost double), as well as the one for countries at a similar level of development with Greece like Spain and Portugal. The same could be said as far as per capita GDP is concerned. This high GDP growth in Greece seems to be the effect of the impressive

increases of the manufacturing product which, contrary to the case of Spain and Portugal, shows a constant increasing trend, while at the same time, the agricultural product increases at diminishing rates. This could be considered absolutely natural for a developing country (especially if it starts from a very low point) although the growth rates are very high even at developing countries' standards.

Greece continued to have higher growth rates than Spain, Portugal and the E.C. countries in the period 1973-1979. After the second oil shock though, Greece had to adopt restrictive economic policies and, consequently, growth rates fell to very low levels. This stagnation continues more or less until today although most of the other Western European countries seem to recover modestly since 1983 (table I-18).

In particular, as far as growth rates in Greece and West Germany are concerned from table I-19 (Appendix) we can derive the following:

- During the 1950s, GDP was increasing at very high rates in both countries and in fact the German rate is higher for some years (the last year this happened was 1962).

- In the 1960s and until 1973 (1968 being the only exception), the growth rates in Greece are much higher than the West German ones.

- In the period 1966-1967 West Germany witnessed a short recession expressed by a very low growth rate for 1966 and a negative one for 1967. It recovered in 1968 though.

- In the period 1973-1979 growth slows down for both countries, although the deceleration for Germany is more pronounced.

- Finally for the 1980-1989 period the deceleration continues and gets more obvious for Greece.

The fact that Greece's rate of growth was higher than FRG's (at least until 1979) does not imply a superiority of the Greek economy, since it starts from a lower point in terms of development level. In addition, this catching-up of Greece's per capita GDP with the German one was not accompanied by a convergence in terms of economic structure. The German economy in the postwar period represented the model economy for Western Europe; the Greek one on the other hand, managed to solve very few (if any) of its structural problems (to which in fact some new ones were added) and, generally speaking, failed to qualify for the group of the industrially developed nations in spite of its rapid economic growth.

It is true though, that during the 1960s the agricultural income in

Greece was lagging far behind the corresponding one for the E.C. countries (table I-20). This is a very interesting observation since most Greek emigrants were employed in agriculture before emigrating and ended up as employed in the civil sectors after doing so.

Table I-17: Average annual GDP growth rates for Greece, Portugal, Spain and the E.C.(6) (1960-1973).

	1960-65	1965-70	1970-73
<u>Greece</u>			
GDP (per capita)	7.3	6.7	7.2
GDP total	7.9	7.3	7.8
Manufacturing GDP	9.1	10.0	12.1
Agricultural GDP	6.4	2.4	1.9
<u>Portugal</u>			
GDP (per capita)	5.7	6.6	8.9
GDP total	6.3	6.2	8.6
Manufacturing GDP	9.1	8.3	11.5
Agricultural GDP	2.2	1.3	0.0
<u>Spain</u>			
GDP (per capita)	7.5	5.3	6.0
GDP total	8.6	6.4	7.2
Manufacturing GDP	12.1	7.8	11.0
Agricultural GDP	2.9	3.5	3.8
<u>E.C.(6)</u>			
GDP (per capita)	3.8	4.0	3.8
GDP total	4.8	4.7	4.5

Sources: a) OECD, Main Economic Indicators, (various issues).
b) Scammel, 1985, pp. 52-55.
c) Seers and Vaitsos, 1982.

Table I-18: GDP growth rates in selected W.European countries. (1973-79 and 1980-89)

Country \ period	1973-1979	1980-1989
Belgium	2.3	1.8
Denmark	1.7	1.8
France	3.0	2.0
W. Germany	1.9	1.8
Italy	2.1	2.8
Luxemburg	0.7	2.7
Netherlands	2.6	1.7
U.K.	1.1	1.6
Greece	3.6	1.4
Portugal	2.2	2.7
Spain	3.0	2.8

Source: OECD, country surveys, (various issues).

The improvement in their income can therefore be shown indirectly since:

$$Y_{cf} > Y_{af} > Y_{ah}$$

where: Y_{cf} : Income in the civil sectors in the foreignland
 Y_{af} : Income in agriculture in the foreign land
 Y_{ah} : Income in agriculture in the homeland

Table I-20: The agricultural income in Greece and the E.C. countries in 1962. (Greece = 100)

Country	Income index	Country	Income index
Greece	100	Netherlands	440
Italy	160	Belgium	390
France	242	Denmark	260
F.R.G.	210	Ireland	155
U.K.	294	Luxemburg	263

Sources: a) Eurostat, Annuaire de statistiques agricole, 1964.
b) Triantis, 1965.

D. THE EVOLUTIONS IN THE LABOUR MARKETS OF GREECE AND THE E.C. COUNTRIES.

1. Unemployment and Job Vacancies.

As already mentioned, the unemployment rate in Greece was higher than in the E.C. countries in the 1950s and the 1960s in spite of the fact that (the extremely high, in the case of Greece) underemployment was not included in that rate. The evolution of unemployment, and its rate of increase for the postwar period are shown in table I-21.

From table I-21 (Appendix) it can be derived that during the 1950s the number of unemployed was fluctuating; since 1956 though, it started to increase continuously. In the period between 1962 and the appearance of the recession the unemployment rate was falling but this trend was reversed after 1975. These trends could be explained, to a great extent, by the trends of emigration and repatriation as well as the structural inability of the Greek economy to absorb labour.

The unemployed in Greece can be distributed according to their previous employment, since those who had not been previously employed did not appear (at least until 1981) in the official unemployment statistics. In table I-22 (Appendix) the unemployed are distributed by professional group (or professional background as it is otherwise defined) (ILO).

From table I-22 a very important point could be derived: In the period 1958-1985, the greatest part of the unemployed originated in manufacturing. In particular, craftsmen and industrial workers constitute 60-80% of those unemployed. The unemployment rate in industry during the 1960s was as high as 8.6% of the industrial labour force (Nikolinakos, 1976, p.86). This rate was even higher for sectors such as food and beverages and tobacco (46.4%) due to their particular problems (traditional structure, inability to increase exports and increasing competition from imported goods). This aspect seems paradoxal at first sight for an industrialising country. It could be explained in various ways though. A possible explanation could be the (already mentioned) inability of the Greek industry to absorb labour. A second one could be that the data of table I-22 are not realistic; it is true that it has often been argued that many of those unemployed that had declared a previous industrial employment were candidate emigrants who believed that by doing so, it would be easier for them to find a job in the foreign land (Nikolinakos, 1973 and Lampos, 1979). This seems to be a realistic explanation for the period of massive emigration, but a very questionable one for the period after the appearance of the recession. As a matter of fact, emigration after 1975 falls and the unemployment in manufacture could be due to repatriation. Finally, the high unemployment rates in the traditional industrial sectors could be explained in terms of the declining importance of these sectors (table I-6).

As far as the regional distribution of unemployment is concerned there is very little to be said, at least for the first postwar decades. It seems that Athens, Thessaloniki and the other urban centers witness higher unemployment rates than agricultural areas (Glitsos, 1980). This is due though, to the fact that the large number of the underemployed in the agricultural sector were not considered as unemployed by the Greek statistics. Another explanation could be the massive internal migration to the urban centers where almost all the activity of manufacturing and services was concentrated. Since the mid-1950s the fall in internal migration and the rise of repatriation caused high unemployment rates in the agricultural areas as well (Negreponi-Delivani, 1986).

As far as unemployment in the E.C. countries is concerned, one could say that, in spite of the rapid postwar growth, unemployment rates were

high in the 1950s (8% on average in the period 1950-1955) (Kindleberger, 1967). After 1952 though, unemployment started to decrease and this trend accelerated in the late 1950s. As early as the early 1960s it was already clear that unemployment in most E.C. countries had fallen to very low levels (Boltho, 1982), (below 1% in West Germany and Holland).

Unemployment in most Western European countries was very low all through the period 1965-1973; since the late 1960s though, the first signs of the forthcoming recession started to become obvious. In table I-23 the evolution of unemployment is shown for some E.C. countries for the period 1965-1975.

Just after the appearance of the recession, the number of the unemployed in the E.C. countries started to increase. Besides the fluctuations of the unemployment rates in some E.C. countries, the overall rate for the E.C.(9) in the mid and late 1970s has been increasing. In table I-24 the evolution of unemployment is shown for the E.C.(9) for the period 1974-1980.

These developments in unemployment, in spite of the relative recovery in terms of GDP growth rates after 1976, prove the structural character of the recession as far as the absorbtiveness of labour by manufacture in the E.C. countries is concerned.

Unemployment had hit the "less competitive" groups of the labour force. Youth unemployment rate was well above the average rate; In fact, it was more than double in most E.C. countries and by 1979 it had already reached 13% (13.3% in France, 24.6% in Italy, 11.9% in the U.K.) (Boltho, 1982, p. 180). The same, more or less, goes for immigrants unemployment rate which was much higher than the national average for the E.C. countries.

The trends in the German labour market are of particular interest; in table I-25 (Appendix) one can see the unemployment and the job vacancies unfilled in West Germany for the period 1954-1986.

From this table the following conclusions could be derived:

-During the 1950s unemployment in FRG was high, but rapidly decreasing. At the same time the number of the jobs offered and therefore, the job vacancies unfilled was increasing.

-In the period 1960-1974 (1967 and 1968 being the exception) unemployment was kept at remarkably low levels and for every unemployed person there were 3-5 job vacancies unfilled.

-The 1967-1968 recession was a very short one and things had already improved by 1969 (Hatzipanayotou, 1982, pp.37).

-The recession after 1974, on the other hand, proved to be long and persistent.

2. Wages and the Weekly Hours of Work.

According to the theory, differences in wages between two countries, is considered one of the most important factors influencing movements of labour; labour tends to move from low to high wage countries.

Table I-23: Unemployment in the E.C. countries (1965-75) in %.

Country \ period	1965-1970	1970-1975
Belgium	2.3	2.3
France	1.8	1.6
F.R.G.	1.2	1.2
Italy	3.5	3.2
Netherlands	1.0	1.1

Source: Balassa, 1975, p. 194.

One needs to have a complete picture of the labour markets of Greece and the E.C. countries before trying to examine the evolution of wages. Such a picture could include points such as:

-In most of the E.C. countries, labour markets seemed to function in accordance to the demand and the supply of labour (Boltho, 1982, and Frobél et al, 1981.). In Greece, on the other hand "the minimal bargaining power of the trade unions until 1975 (due to the post civil war police state and the dictatorship) in addition to the high state intervention to the wage formation, form the characteristics of an imperfect labour market" (Mouzelis, 1979). As a result, wage increases were lagging behind productivity increases until 1974; after 1975 though, Greece witnessed the opposite relationship between wage and productivity increases (KEPE, 1976, p. 6).

From table I-26 and figure I-2 (Appendix), one can derive that real wages in Greek manufacturing were increasing, until 1973, at a much lower rate than in the E.C.(9), although labour productivity in Greek manufacturing was witnessing substantial increases (German Development Institute, 1975, pp. 52-60), while, at the same time, inflation remained very low (Tsoukalis, 1982, p. 150).

The ratio Greek/E.C. hourly (real) wages in manufacturing varied

from 1:2.7 to 1:3.2 during the 1960s (Maillat, 1968, pp. 10-14 and Hatzoglou, 1969, pp. 300-304).

This ratio remained the same during the 1970s (even after 1974 when wages increased dramatically in Greece) (Hassid, 1980, p. 302) but it changed to a 1:2.2-1:2.6 one in the 1980s (ILO, Annual Labour Statistics). This was mainly due to the gradual and continuous depreciation of the drachma vis-a-vis all the European currencies after 1974 and especially vis-a-vis the dollar. Consequently, although the hourly wages in Greek manufacturing seem to have increased faster than in the E.C. countries since 1974 (table I-25), this is only true in nominal drachma values; in U.S. dollar values the hourly wages in Greek manufacturing have remained the same. This is shown in table I-27 where the evolution of hourly wages in the major Greek manufacturing (the firms employing more than 10 people) are given both in drachmas and dollars; in addition to that one can see the relation between the Greek and the German figures both as a ratio and a difference. From table I-27 (Appendix) one could derive the following conclusions:

- Real wage increases in the major Greek manufacturing during the 1960s do not exceed the corresponding German ones, although both GDP and productivity growth in the Greek industry in that period were by far higher than the corresponding ones for West Germany.
- The modest wage increases in West Germany for 1967 and 1968 were due to the short recession and the consequent increase in unemployment for this country in that period.
- Until the appearance of the recession, the ratio wages in Germany/wages in Greece had been increasing; since 1974 it has been falling.
- Since 1981, hourly wages in Greek manufacturing have been rapidly increasing in drachmas and falling in U.S. dollars due to the rapid depreciation of the drachma and its devaluation in 1982 vis-a-vis the U.S. currency.

As far as migration is concerned, one should take into account that the relation between these two countries' wage rate could only indirectly influence a person's decision to emigrate since most of the emigrants were recruited from agriculture. This relation could be of high importance if people had to choose between being employed in Greek or German manufacturing. The number of weekly working hours corresponding to a certain job, in combination with the intensity of this job and the wage rate, form the terms of employment. In

particular, had wages been equal in two countries, people would emigrate if the same income from wages could be acquired by fewer or less intensive hours of work.

In table I-28 (Appendix) the weekly hours of work for Greece and West Germany are given for the period 1954-1987. As shown in this table there are fluctuations in the weekly hours of work for both countries, which could be attributed to the way they are estimated.

E. THE INSTITUTIONAL FRAMEWORK OF THE POSTWAR EMIGRATION FROM GREECE TO THE E.C. COUNTRIES.

1. Organising the Migratory Flows.

"Organising migration in general, aims in essence at regulating the different stages of migration in order to provide alternative employment opportunities to those emigrating" (OECD, 1978, pp. 37-41).

This can be achieved provided that a certain amount of cooperation between the emigration and the immigration countries exists. In the case of Greece,

"...the state intervention consists of some (general in nature) policy measures on supervising emigration and taking care of the Greeks working abroad. The main characteristic of the Greek emigration policy is the absence of any regulation as far as controlling the outflow of emigrants is concerned..." (Zolotas, 1977, p. 470).

The organisation of intercontinental migration was appointed to the Intergovernmental Commission of Migration from Europe (for the immigration countries) and the Ministry of internal affairs (for Greece). Such an arrangement though, did not exist for intra-European migration and this institutional vacuum had to be covered by the bilateral agreements on migration as well as the E.C. framework.

2. The Bilateral Agreements on Migration.

One of the main characteristics of the intra-European postwar migration were the direct negotiations between the emigration and the immigration countries in order to organise the migratory flow. The main point of these negotiations was the provision of procedural facilities to the immigration countries so that they could recruit the necessary number of emigrants (Nikolinakos, 1977, p. 37).

What the two countries had to do was determined by contracts with

the form of interstate treaties. In the postwar period Greece made four such agreements, namely with France, Belgium, West Germany and Holland.

The French-Greek migratory agreement (13/3/1954) was accompanied by two administrative rules, attached to the agreement, on the terms of entry of immigrants and their families in France and remittances. (Papastamkos, 1982, p. 43). The Belgian-Greek one (12/7/1957) had to do almost exclusively with the employment of Greeks in the coal mines of Belgium (op.cit, p. 48).

The migratory agreement between Greece and West Germany (30/3/1960) was revised two years later. This agreement proved to be the institutional basis of the emigration of Greeks to West Germany. It was exactly the same (in terms of contents) as the agreements Germany signed with other countries such as Italy, Spain, Portugal, Turkey, Tunisia, Maroco and Yugoslavia in that period.

Finally the Dutch-Greek agreement (13/9/1966), was never ratified since most of it's provisions have been already included in the association agreement Greece signed with the E.C. (op.cit., pp. 58-59).

The main characteristics of these agreements were the following (Zolotas, 1966, p. 6).

- a) There is no *ex-ante* limitation to the number of Greek emigrants immigration countries wish to import.
- b) The Greek government has to collect the applications of Greeks wishing to emigrate to that country and give them to the other country's authorised institution.
- c) The final selection of emigrants, in quantitative as well as qualitative terms was carried out by the special recruiting agencies these countries had established in Greece.

These points, indicative of the weak bargaining position of Greece, determined to a very great extent both the evolution and the characteristics of the emigration of Greece to the E.C. countries. One should take into account though, that only the German-Greek agreement was of importance (60% of the emigration of Greeks to this country, was according to that agreement). The other agreements soon proved to be dead letters (in fact the Dutch-Greek one was never applied) either because these countries preferred immigrants from other emigration countries or simply because they were signed just before the appearance of the economic recession. Most of the Greek emigrants to these countries moved either after individual invitations or through the

embassies of these countries in Greece (op. cit, p. 64).

After the appearance of the recession, in the early 1970s, things changed as far as the bilateral migratory agreements were concerned. The agreement between Greece and West Germany which was applied for 13 years (and had a decisive influence on migration between these two countries), was one of the "victims" of the recession. In 1973 the emigrant selection commissions in Greece suspended their operations and in 1976 the agreement ceased to apply after the definite break up of the German commission of migration from Greece. The rationale of this decision was that

"... even in case of economic recovery, West Germany will never again be able to offer employment to a large number of foreign workers" (Hatzipanayotou, 1982, p. 63.)

The German government adopted two additional measures in order to reduce the number of foreign workers: The first one was to restrict the interregional mobility of immigrants, especially if the region of destination had a certain percentage of immigrants in its total population (over 12%). The second one was the intensive control given to German employers in order to eliminate illegal (without a permit) employment and inflow of foreign workers which was very common in the late 1960s (Giannopoulos, 1979, p. 172).

In addition to these, a series of secondary measures were adopted (such as "voluntary" repatriation), aiming at reducing the number of immigrants to the level of 1.5 million people by 1977 (Hatzipanayotou, 1982, p.65).

3. The E.C. Framework.

a. The association agreement between Greece and the E.C.

The association agreement between Greece and the E.C. was signed in Athens (9/7/1961), and was applied in 1/11/1962. Besides the provisions on trade liberalisation and a financial protocol, provisions on the free mobility of labour were included as well.

These provisions were exaggerated both as far as their contribution to the emigration of Greeks to the E.C. countries was concerned and furthermore, as far as to the extent these provisions could influence migration at all. Some economists believed that these provisions would establish free labour mobility, and, consequently, cause an increase of interregional migration according to differences in wage levels and

employment opportunities (Pepelasis and Yotopoulos, 1963, p. 20). Others believed that Greece would have achieved the freedom of establishment for its emigrants since 1974 had this association agreement not been "frozen" after the imposition of the dictatorship in Greece in 1967 (Bohning, 1972, p. 2).

Both these points are not realistic though, at least as far as interpreting the association agreement is concerned; article 44 provided that free labour mobility between Greece and the E.C. should be established and by combining articles 6 and 44 one could derive that free mobility could have been achieved by 1974. From the meaning and the letter of the agreement, one can therefore only derive that the references to free labour mobility were an expression of wishes rather than a real perspective framework for migration (Kostopoulos, 1986, p. 121).

On the basis of the above, one could conclude that the postwar emigration of Greek workers to the E.C. countries strictly evolved within the frame of the bilateral migratory agreements, at least until they effectively ceased to apply after the appearance of the economic recession (Papastamkos, 1982).

b. The Community framework on labour mobility.

Briefly speaking, the adoption of the free labour mobility principle in the E.C. was considered as a necessary condition for the creation of a common labour market, in contradiction with the national ones. If one examines this principle in economic terms, one will conclude that its implementation, through an increase of the employment opportunities in a wider geographic area, is an asset for the reduction of unemployment and underemployment in the poorer regions of the E.C. Besides its economic dimension though, free labour mobility can be examined in social terms as well; in this case free labour mobility could be seen as a mechanism for the achievement of better living conditions provided by the equalisation of the supply and the demand for labour in the E.C. labour market. In addition, free labour mobility is expected to contribute to the attainment of equal rights on employment for all workers in the Community; this factor could contribute decisively to political integration. (Hassid, 1980, p. 291)

The provisions for the free mobility of workers were included in the three founding treaties of the European Communities (E.S.C.C., E.E.C. and Euratom). The difference in the provisions of these treaties was

that, while the E.S.C.C. and the Euratom ones referred to particular groups of workers (skilled miners and steel workers as well as the people employed in the atom energy industry), in the case of the E.E.C. the application of these provisions was general and, in fact, free labour mobility was one of the four basic liberties of the Community (Papastamkos, 1982, p. 29). Free mobility in the Community treaties and the Community law in general, has a different meaning compared to the one in the national law. " Free mobility from the internal law point of view covers and ensures the right of the citizens of a state to move freely within that country and establish themselves at any point they wish to. In that sense, the individual right of free mobility expresses both the personal freedom and the recognition of a person's dignity. Free mobility according to the Community law, on the other hand means free mobility of workers within the geographical area the Community law applies, free choice of the job to be undertaken, free undertaking of an actually offered job and equal treatment of domestic workers and community immigrants in terms of wages and working conditions. With this meaning, free mobility only refers to the factor of production "labour" and gives to Community employees the right to undertake employment wherever it is offered" (Papastamkos, 1982, pp. 30-31).

In keeping with the concept of a common market as opposed to a customs union, the Rome Treaty provides that freedom of movement can be limited on the grounds of public safety, public security and public health. Chapter 1 (title III) of the Rome Treaty (articles 48-51) deals specifically with the free movement of labour in the Community. More generally, articles 48-51 have to do with the freedom of movement and establishment of persons in order to provide services with no discrimination in terms of origin and nationality (Swann, 1982). The free movement of labour provisions cover all persons who undertake any form of dependent employment (Hassid, 1980, p. 292) It is clear that this definition leaves out not dependent employment, that is self employed persons. According to the Treaty of Rome, article 48 stipulates that "Freedom of movement for workers entails the abolition of any discrimination based on nationality between workers of the member states as regards employment, remuneration and other conditions of work and employment subject to limitations justified on grounds of public policy, public security or public health. This article does not apply to employment in the public service. (Commission of the European

Communities, 1982, p. 9) Articles 49 and 51 authorize the council to introduce its various additional rules as necessary to make equality of treatment effective in practice. The Treaty also contains a series of provisions which were important during the transitional period, namely, the 12 years following the entry into force of the Treaty. This was the period to be used by the institutions to implement the Treaty's various provisions within the time limits laid down.

By July 1968, a year and a half before the end of the transitional period, restrictions to immigration from E.C. members on the grounds of national preferences and work permits had been abolished. The only requirements was a five year residence permit, but these were automatically renewable; Community over non-Community preference was retained. As far as the application of the free mobility is concerned, several measures were adopted by the E.C. the most important being regulation 1612/68 which replaced all the former measures on this aspect and created a framework for the establishment of a common policy adopted by all member states aiming at the abolition of barriers to free mobility (Hassid, 1980, p. 293).

Finally, one has to take into account that the social policy of the E.C. deals with the free movement of workers and in particular with the social security for migrant workers, the promotion of workers geographical and occupational mobility and several other aspects aiming to avoid discrimination against emigrants.

The institutional framework of the E.C., in spite of the fact that it has covered many sectors, has proved to be inefficient for the attainment of free labour mobility. This inefficiency is not proved by the fact that intra-E.C. migration did not increase, because the Community never really intended to organise massive intra-E.C. migratory flows (Commission of the E. C., 1982, p. 6). The proof of this inefficiency lies in the fact that the E.C. provisions are often violated (in which case the European Court of Justice has to deal with these violations) and in the fact that more than thirty years after the Rome Treaty, labour mobility in the E.C. is still determined by the member states' choices on how liberal their immigration policies should be and not the basic principles and the framework of the E.C.

This could be explained on the ground that the application of the Community framework on migration coincided with the appearance of the economic recession and the rise of unemployment. This may explain the

lack of progress in the free intra-E.C. labour mobility, but it certainly does not justify it, irrespectively of the fact that an institutional framework created in a period of economic prosperity is very difficult to apply during an economic recession. The non-application of the free labour mobility in the E.C. (besides others) proves that the E.C. is still far from being a common market, in spite of the impressive progress in trade liberalisation. The (relatively recent) "Single European Act "which aims at a creation of a "Single European Market" where labour should move freely, by the end of 1992, may prove to be a very important factor for the perspectives of labour movements in the E.C., provided that this target will be attained.

c. Greece's accession to the E.C. and the arrangements on labour mobility.

A few months after the restoration of Democracy in Greece (summer 1974), a process that led to the Greek application for full membership started. During the negotiations, the issue of migration was raised and, in fact, in a rather unorthodox way. Initially the Commission made clear that no significant emigration from Greece was to be expected and, therefore, the Community framework could be applied with no problem immediately after the accession of Greece. Surprisingly, the governments of the immigration E.C. countries (mainly the French and the West German ones), given the economic recession of that period seemed to react to the immediate application of the free labour mobility right to the poorer Mediterranean countries (Boltho, 1982, pp. 10-15). One should keep in mind though, that Greece at that time ranged only sixth among the Mediterranean "suppliers" of emigrant labour for the Community (Werner, 1978, p. 95); what the Germans and the French probably had in mind was the perspective of other countries taking advantage of the provisions that would apply for Greece (Commission of the E. C. 1976, p. 17). Meanwhile other Mediterranean countries such as Spain and Portugal (traditional labour "exporters" as well) had already applied for full membership to the E.C. These reservations of Germany and France were finally adopted by the Council and the Commission.

The negotiations ended on the 21-12-1978. In the Treaty of accession, signed in May 1979, there were certain articles relevant to this aspect; Article 45 of the accession Treaty provides for a transitional period of seven years for the application of the most

important E.C. regulation (1612/68) on labour movements. The equal treatment of Greeks, wishing to undertake employment in another member state, would come into force on the 1-1-1988. In other words, the free movement of labour from and to Greece was subject to a seven year transitional period while, at the same time, the general transitional period provided by the Accession Treaty was a five year one. In fact, the transitional provisions for Greeks already working in E.C. countries were more restrictive than the ones individual member states had before the accession of Greece; it is indicative that the W. German government, through its embassy in Athens, declared that, despite the Accession Treaty, Greek immigrants will enjoy the same rights as the other Community workers in West Germany (in newspaper "Express", 14-11-1980) simply because otherwise they would have ended worse off and, in fact, in a less favourable position than the non-E.C. immigrants (e.g. Turks) (Mitsos, 1984, p. 175).

There were certain positive arrangements for Greece on the social security sector. Almost all E.C. arrangements in that field (family grandings being the exception) were adopted. Finally, certain articles on social security of the agreements, Greece signed with countries like Belgium, West Germany, France and the Netherlands in the past, continued to be valid since their provisions were most favourable for the Greek immigrants compared to the E.C. ones (Mitsos, 1984, p. 176). A total evaluation of the results of the negotiations of accession would demand a full knowledge of the bargaining positions of the two sides on a day by day basis. We could nevertheless reach the two following conclusions|

1. The seven year transitional period for the free movement was a rather "painless retreat" for Greece; the social security provisions were clearly a success for Greece.
2. On the other hand, the fact that Greek immigrants were not fully assimilated with the other Community ones, reflects the weak bargaining power of Greece, especially if we take into account the fact that the initial views of the Commission were more favourable than the final arrangements included in the accession Treaty. We must keep in mind though, that the final E.C. views were expressed by the E.C. Council and not by the Commission (Mitsos, 1984).

C H A P T E R T H R E E

" THE EVOLUTION AND THE CHARACTERISTICS OF MOVEMENTS OF LABOUR FROM GREECE TO THE E.C. COUNTRIES "

A. THE EVOLUTION OF EMIGRATION.

1. The Pre-War Emigration from Greece.

Greece has a long tradition as a labour exporting country. The country has witnessed massive outflows of labour since the beginning of the 19th century. The U.S.A. were the main receiving country for the Greek emigrants; between 1900 and 1940 90% (443,298 out of 491,501) of the Greek emigrants moved to U.S.A. (Pouloupoulou-Emke, 1986, pp. 318-20). These outflows of labour were indeed impressive in relative size (approximately 10% of the population), since the population of Greece in that period did not exceed five million people on average (although, between 1900 and 1920 the Greek population tripled after the liberation of Macedonia, Epirus and Thrace). The main causes for these migratory flows were the relative (or even absolute in some cases) poverty of Greece in terms of low per capita income and few job opportunities in relation to the favourable perspectives for higher income and employment in the U.S.A.. The fluctuations in the numbers of people moving were due to the U.S. changing migration policies (as expressed in the relevant laws) and to a very lesser extent to what was happening in Greece.

2. Emigration in the First Years After World War II.

After the end of World War II and until 1959, the number of emigrants from Greece was at a relatively constant scale of 20,000-30,000 people per year. More than 50% of these people emigrated to non European countries (U.S.A., Canada, Australia) (Zolotas, 1966, p. 100). Since 1954, though, a small increase in emigration was witnessed due to increasing emigration to Belgium, which desperately needed workers for the coal mines, in that period.

Intercontinental migration was still dominant all through the 1950s, but emigration to the European countries was constantly increasing (table I-29). In the same period emigration to Australia was increasing as a percentage of total emigration from Greece (in absolute figures the increase was negligible). The shift of migration from the overseas to the European countries though, was becoming more and more obvious.

Table I-29: The emigration of Greeks to European and non-European countries in the 1950s

Year	Total	Non-European countries		Europe	
			%		%
1950	12,514	10,206	81.5	2,008	16.4
1951	38,218	34,166	89.3	2,746	7.1
1952	17,928	11,637	64.9	4,291	23.9
1953	23,814	10,250	85.0	2,564	10.7
1954	50,441	30,720	60.9	14,720	29.1
1955	29,787	19,776	66.4	6,068	20.4
1956	35,349	23,147	65.6	7,780	22.0
1957	30,428	14,783	48.6	13,046	42.9
1958	24,521	14,842	60.5	6,567	26.8
1959	23,684	13,871	58.6	6,713	28.3

Sources: a) National Accounts of Greece (various issues).
b) Nikolinakos, 1976.
c) Zolotas, 1966.

3. The Shift of Emigration to Western Europe and F.R.G. in Particular.

During the 1960s, the flow of emigrants from Greece changed direction from the overseas countries to Western Europe. 1960 was a turning point since in that particular year more than half of the Greek emigrants chose to move to Western Europe. Contrary to the overseas emigration, the European one was temporary in nature. Emigrants themselves seemed to believe that emigration was temporary while, on the other hand, immigration countries did not seem to intend to integrate immigrants into their population and labour force on a permanent basis. According to OECD though, immigration countries had to change their attitude towards the average duration of stay of the immigrants soon enough; this could be explained in terms of their having found out that the frequent alternation of the labour force (continuous inflows-immigration and outflows-repatriation of foreign workers), had a negative effect on their total output. This was due to the fact that new immigrants had a low productivity, and needed a certain amount of time to get used to the production techniques of the immigration countries (OECD, 1978).

The E.C. countries absorbed the greatest part of the Greek emigrants

in the period 1960-75. West Germany in particular, was the main recipient, as shown in table I-30. One could derive very interesting conclusions from this table; the preference of Greeks for Western Germany is obvious. In fact, it seems that emigration to the other (besides Germany) E.C. countries was rather insignificant in size. It has already been mentioned that West Germany had the most substantial labour shortages amongst the E.C. countries. It was these shortages that determined the development of migration. A short period of economic recession in Western Germany in the late 1960s caused a large drop in the emigration of Greeks to that country. By the time the German economy recovered, immigration from Greece picked up again.

Table I-30: Emigration to Western Europe, the E.C. and the FRG (1960-75).

Year	Total Emigration	Western Europe		E.C.		West Germany	
			%		%		%
1960	47,768	27,227	57	25,317	53	24,271	50.81
1961	58,837	40,009	68	35,890	61	31,107	52.86
1962	84,054	60,518	72	57,997	69	53,056	63.16
1963	100,072	74,053	74	72,052	72	64,583	64.53
1964	105,569	79,176	75	78,121	74	73,343	69.47
1965	117,167	87,875	75	85,531	73	80,569	68.60
1966	86,896	53,000	61	51,268	59	45,494	53.35
1967	42,730	15,382	36	14,100	33	9,730	22.77
1968	50,866	23,398	46	22,381	44	20,201	39.71
1969	91,552	62,255	68	61,339	67	59,449	64.93
1970	92,681	68,583	74	67,657	73	65,285	70.44
1971	61,745	42,604	69	41,986	68	40,052	64.85
1972	43,397	29,075	67	28,642	66	26,683	61.48
1973	27,488	15,108	55	14,293	52	12,838	46.70
1974	24,448	11,001	45	10,268	42	8,259	33.78
1975	20,330	10,165	50	9,555	47	7,338	36.00
	1,055,600	699,445	66.2	676,397	64	622,258	58.95

Source: a) National Accounts of Greece (various issues).
b) Own calculations.

One should take into account that other (besides Greece) countries, "exported" labour to the E.C. ones, as well. Greece ranged third in that period after Italy and Spain, with Turkey, Portugal and Yugoslavia following. If one examines emigration as a proportion of total population, Greece ranks second in 1965 (2.64%), after Italy (2.95%),

followed by Spain (2.15%), Portugal (1.37%) and Turkey (0.58%). By the end of the 1960s Portugal had climbed to the first place followed by Greece (Zolotas, 1977, p. 100).

B. THE CHARACTERISTICS OF EMIGRATION.

1. The Emigrants' Origin by Sector and Region.

a. Emigrants' origin by sector.

The recruitment of emigrants in Greece was traditionally (since the 19th century at least) from the agricultural sector. There seems to be a differentiation as far as the postwar period is concerned; the increasing importance of immigration for the industrial regions of Western Europe shifted the demand to craftsmen, industrial workers and unskilled labour from the urban centers. In addition to that, the overseas countries which had always been attracting mainly peasants, started to reveal a preference for skilled or semi-skilled labour. From table I-31 one can derive that only 7.7% of the emigrants in 1963 were employed in agriculture before emigrating; 54% of them were craftsmen or industrial workers. It should be kept in mind though, that the distribution of table I-31 refers to the latest profession of the emigrants, or even the profession they would intend to have, had they stayed in Greece. Many of those declaring industrial employment therefore, were peasants who had moved to the urban centers in search of employment, a little while before emigrating. In addition to that, many of those declaring "without employment" originated in agriculture as well. Finally, what is impressive is that a considerable proportion of the emigrants belonged to the "artisans and professionals" group which included engineers, surgeons, dentists and school-teachers (Triantis, 1965, p. 214).

A large part of the emigrants who found a job in Germany, consisted of underemployed or people who had never worked in Greece. In table I-32 one may see the distribution of emigrants between employed and unemployed before emigrating.

Another basic characteristic of emigration for that period was that 80-90% of the emigrants were in the "productive age brackets" (14-44 years old (ESYE, 1967)). Furthermore, as far as the distribution by

of the conclusions one could derive from table I-30 into question for the period 1960-1974; according to table I-33 most of the emigrants come from agriculture. Even though the proportion of the peasant-emigrants seem to fall over time, this could be attributed to the increase of internal migration which functioned as a waiting room for external emigration.

Table I-31: The Greek emigrants by their profession before emigrating.

Profession	1962		1963	
	Emigrants	%	Emigrants	%
Farmers, fishermen, etc.	6,203	7.3	7,719	7.7
Workers in mining etc.	25	0.3	69	0.0
Craftsmen, industrial workers	47,267	56.2	54,070	54.0
Employed in transportation and communications	680	0.8	795	0.8
Clerical staff	1,213	1.4	1,561	1.5
Salesmen	394	0.4	490	0.4
Employed in personal services	1,246	1.5	1,540	1.5
Professionals and engineers	1,131	1.3	1,212	1.2
Managers etc.	86	0.1	126	0.1
Not classified	23,571	28.0	25,244	25.2
Total	84,054	100.0	100,072	100.0

Sources: a) Triantis, 1965, p. 213.
b) Own calculations.

Table I-32: The employment status of emigrants before emigrating (%)

Status	1960	1961	1962	1963	1964	1965	1966
Employed	63.6	63.3	71.9	74.8	60.9	55.3	46.3
Unemployed	36.4	36.7	28.1	25.2	39.1	44.7	53.7

Source: Valsamidis, 1968, p. 36.

Table I-33: The distribution of Greek emigrants by profession before emigrating (1960-1979) (in %).

Profession-Year	60	61	62	63	64	65	66	67	68	69	70	71	72	73	74
Farmers	52	65	77	71	65	62	62	44	52	66	61	50	49	43	32
Craftsmen & ind. workers	27	20	11	12	23	18	22	31	30	22	26	33	29	28	32
Others	21	15	12	17	12	20	16	25	18	12	13	17	22	29	36

Source: KEPE, 1976.

b. Emigrants' distribution by region.

As shown in table I-30, 1,055,600 Greeks emigrated (gross emigration) in the period 1960-1975; they represented 12% of the country's total population according to the 1971 census (Glitsos, 1980, p. 15). Emigration was not evenly scattered among Greek regions (in fact, neither was population). Eastern Continental Greece and Macedonia are the two extreme cases (the former contributed only 6.1% of the emigrants and the latter 24.8%).

In some Greek districts, in particular, the emigration rate was extremely high; the district of Drama "lost" 50% of its population in the period 1960-1974 (Glitsos N., 1980, p. 16). Conclusively, one could say that the less developed regions of the country (Macedonia, Epirus, Thrace, Peloponnese) were the main "emigrant suppliers" (Nikolinakos, 1973, p. 88).

Not everybody seems to agree with that point though; B. Kayser believes that emigration was recruited from regions at the intermediate stage of development (e.g. Crete) and not the least developed ones (e.g. Epirus). Another version of the same (more or less argument) stresses the fact that it is the peasants of the highly commercialised regions that emigrate and not those of the isolated ones (Vergopoulos, 1975, pp. 275-86).

Both these arguments could be tackled by the data of table I-34. Besides that, one could argue that they do not take into account the simple fact that emigration from Greece started in the 1830s and since then emigrants tend to come from the isolated or depressed areas of the country. These areas had been deserted by their population long before the 1960s and, therefore, appeared to be low contributors to the postwar emigration, at least relatively to the areas that had not already lost such a high part of their population.

The other interesting point that could be derived from table I-34 is that Athens had a relatively high emigration rate as well. One could conclude, therefore, that emigration absorbed the unemployed of the urban centers and the underemployed of the agricultural areas.

Another very interesting point is that unemployment and emigration did not always go hand in hand; it is true that several regions

emigration and high unemployment at the same time. Others like Crete, Continental Greece (Sterea) had low unemployment and high emigration rates (Glitsos, 1980, p. 29). Generally speaking, it seems that emigration evolved independently of unemployment; in all Greek regions, emigration during the 1960s was 1.5-8.5 times higher than it had been in the 1950s, although unemployment rates were the same in both decades. These conclusions support the argument for "pull" factors being more significant than the "push" ones for emigration to occur.

Table I-34: The regional distribution of emigration (for each region in total and urban areas in particular) (in %).

Region	Percentage of emigration	
	Total for region	Urban areas
Eastern Continental Greece (Athens)	6.1 (6.9)	6.5 (6.9)
Central and W. Macedonia	16.2	6.3
Peloponnese & W. Continental Greece	9.8	5.8
Thessaly	9.1	4.5
Eastern Macedonia	28.4	19.7
Crete	6.9	4.9
Epirus	20.4	7.8
Thrace	21.9	8.5
Aegean Islands	16.5	10.0
Total	12.0	6.7

Source: Glitsos, 1980.

2. The Regional and Sectoral Distribution of Greeks in Immigration Countries and the Duration of their Stay.

The Greek emigrants were established in the richest industrial regions of Western Europe. In the case of West Germany in particular, which absorbed the greatest part of Greeks as we have seen, most Greek immigrants were established in the most prosperous regions like Nordrhein-Westfalen (34.9% of the Greeks), Baden-Wurttemberg (25.3%) and Bayern (17.5%), although one could find Greek immigrants all over the country (Vanhove and Klaassen, 1980, pp. 68-74).

As far as the sectoral distribution is concerned, the data of table I-35 for Germany could be considered representative of the other E.C. countries as well. The fact that a considerable part of the Greek immigrants was employed in metallurgy and other industrial sectors does

not necessarily imply that they were hired as skilled workers. Generally speaking, foreign workers were principally assigned secondary posts (unskilled labour), at least as far as the first year of their employment was concerned.

By 1973 the movements of Greek immigrants to a higher skill category were as follows:

- from unskilled to semiskilled 45%
- from unskilled to skilled 2%
- from semiskilled to skilled 1% (Hassid, 1980, p. 304)

Since the late 1960s the immigration of Greeks began to transform itself into a permanent and family type one (Paine, 1974). The already established male immigrants managed to get an establishment permit for their families rather easily. As a result, by 1972, women represented 43% of the total employment of Greek immigrants; the corresponding rate for the other nationalities was lower (31% for the Spaniards and 30% for the Portuguese) (Hatzipanayotou, 1977, p. 17).

Table I-35: The distribution of Greek immigrants in FRG by sector of economic activity (31/1/1973).

Sector	Men	Women	Total	%
Agriculture etc.	377	176	553	0.2
Mining	2,869	158	3,027	1.1
Metallurgical industries	78,178	54,883	133,061	49.6
Manufacturing	45,483	43,527	89,010	33.2
Constructions	10,508	555	11,063	4.1
Public services	2,991	6,617	9,528	3.5
Services	2,761	5,728	8,489	3.2
Commerce, banks, insurance	6,584	659	2,423	0.5
Total	151,435	116,973	268,408	100.0

Source: Hassid, 1980, p. 305.

These two points, (the fact that most Greek immigrants were employed as unskilled labour, and the high female participation in the labour force) are of great importance, since they determined the vulnerability of the Greek immigrants in case of unfavourable evolutions in the immigration countries leading to high unemployment. There has been evidence (see Boltho, 1982, pp. 170-1) that, in the postwar period, unskilled and semiskilled workers are the first to be fired when the

demand for labour falls, especially if they are immigrants. As far as the women are concerned, the evidence (op. cit. pp. 171-2) suggests that they usually found employment in the labour intensive industrial sectors (textiles, footwear) which were already facing problems due to the increasing competition from the Newly Industrialising Countries (NICs), besides the other disadvantages such as sex and nationality discrimination they had to live with.

Table I-36: Unemployment in West Germany (1966-1977).

Total unemployment			Immigrants unemployed		Greek immigrants unemployed			
Year	Number	%	Number	%	Men	Women	Total	%
1966	141,428	0.7	2,522	0.2	-	-	365	0.2
1967	576,074	2.7	28,977	2.7	-	-	5,150	3.2
1968	459,853	2.2	8,187	0.9	-	-	887	0.6
1969	243,212	1.2	3,639	0.3	-	-	293	0.2
1970	197,784	0.9	4,228	0.3	-	-	361	0.2
1971	206,472	1.2	11,849	0.6	-	-	1,533	0.6
1972	268,461	0.9	21,407	1.0	-	-	2,988	1.1
1973	286,576	1.3	17,206	0.7	696	1,292	1,988	0.7
1974	561,762	2.6	71,301	2.8	3,106	4,068	7,174	3.0
1975	1,114,048	4.9	179,007	7.4	9,181	10,799	19,980	8.7
1976	1,350,990	5.9	149,914	6.7	7,337	9,135	16,470	7.6
1977	1,248,918	5.5	105,000	5.1	-	-	8,780	5.0

Source: Hatzipanayotou, 1977, p. 59.

In conclusion, one could say that the (by sex, sector, and skill level) composition of the Greek immigrant labour force in the E.C. countries, although not a problem in a period of economic prosperity, was a very negative factor in case of economic recession.

C. THE REVERSAL OF THE FLOW.

1. Emigration from Greece During the Economic Slowdown.

It has already been shown that one of the main symptoms of the economic recession of the 1970s was the increase of unemployment; unemployment hit the domestic labour force as well as the immigrants in the E.C. countries. Immigrants' unemployment was a function of total unemployment in the immigration countries, as well as their

competitiveness as a group of the labour force. This lack of competitiveness coupled with the discrimination and the prejudice they were faced with, caused their higher unemployment rates relatively to total unemployment rates for the immigration countries.

Things were even worse for the Greek immigrants who, in fact, witnessed higher unemployment rates relatively to the total labour force as well as relatively to the total immigrant labour force for reasons which will be analysed in the following sections (table I-36). This has been obvious particularly since 1974.

The impact of the recession on output and unemployment was dramatic; emigration from Greece to the E.C. countries fell and, at the same time repatriation increased to such an extent that it surpassed emigration (table I-37).

Repatriation from the E.C. countries had been subject to many fluctuations in the period 1968-1976; this could be attributed mainly to the developments of repatriation from West Germany, especially in the period 1966-68.

2. The Repatriation from West Germany.

One of the first policy measures the German government adopted after the emergence of the recession, was to impose restrictions on the inflow of foreign workers. This policy, implemented from September 1973 to June 1976 proved to be very successful in increasing the employment opportunities for the native labour force (Giannopoulos, 1979, p. 168).

The German government in particular, under the pressure of the unfavourable situation in the labour market and despite its declarations for equal treatment of the immigrants, imposed a series of restrictions on the employment of foreigners and their unemployment benefits. The first step to this direction was to eliminate immigration from the Southern European countries it had signed migration agreements with; in November 1973 the operation of the immigration selection committees was suspended. A few months later it was generally accepted that West Germany could not employ large numbers of foreign workers in the near future. Consequently, the selection committees ceased operating definitively; in fact, the one in Greece did so in January 1976 (Hatzipanayotou, 1977).

The German government adopted, since 1975, two additional special measures to reduce the number of the immigrants. The first one was to forbid interregional migration, especially when the region of destination already had many immigrants (more than 12% of the region's population). By doing so, the Germans were in essence forbidding the unemployed immigrants to search for employment. The second measure was the severe control and the penalisation of illegal (without a permit) inflow of new immigrants, while in the period of economic prosperity the German authorities were rather elastic on that aspect (Giannopoulos, 1979, p. 168).

Table I-37: Emigration/repatriation of Greeks to and from the E.C. countries (1968-1976).

Year	emigration/repatriation	Year	emigration/repatriation
1968	3.43	1973	1.10
1969	7.95	1974	0.59
1970	3.86	1975	0.36
1971	2.99	1976	0.36
1972	1.78	1977	0.39

Source: Yannopoulos, 1979, p. 192.

According to the declarations of several German politicians, the target set was to reduce the number of the immigrants substantially by 1977; it is true, though, that the German government never went as far as adopting measures forcing immigrants to leave. In fact, voluntary repatriation was promoted although it seems that immigrants were psychologically pressed to leave, through the creation of uncertainty about their future (Hatzipanayotou, 1977, pp. 65-67). In many cases the only thing the German authorities had to do was to refuse renewal of the work permits to the immigrants. The German government used repatriation in order to reduce its labour force, in the same way it used immigration when an increase of the labour force was needed.

After the appearance of the recession, the economic policy in West Germany, seemed to be adjusted to what trade unions demanded, as far as immigrants were concerned; German trade unions were always opposed to immigration (Castles and Kosack, 1985, pp. 118-27) and, in fact Mr. Schwab, the chairman of the German confederacy of trade unions (D.G.B.)

went as far as saying that:

"...the fact that the governments of certain emigration countries are trying to solve their unemployment problem by exporting labour to West Germany is unacceptable..." (Hatzipanayotou, 1982, p. 31).

This declaration is indicative of the climate for immigrants and reveals indifference or ignorance of the immigrants' contribution to the postwar "German economic miracle" and of the fact that the massive inflow of immigrants was due to Germany's attraction policies followed for at least 15 years.

Table I-38 Emigration, repatriation and net emigration of Greeks to and from West Germany (1966-84).

Year	Emigration	Repatriation	Net emigration (1)
1966	78,233	44,157	34,076
1967	55,396	58,093	-2,697
1968	20,589	73,828	-53,239
1969	53,107	29,043	24,064
1970	87,884	24,394	63,490
1971	94,307	30,259	64,048
1972	51,083	48,060	3,023
1973	36,102	48,807	-12,705
1974	29,960	48,732	-18,772
1975	18,196	65,709	-47,513
1976	16,004	58,200	-42,196
1977	15,276	48,000	-2,724
1978	14,400	36,300	-21,900
1979	14,787	29,247	-14,460
1980	15,811	22,318	-6,507
1981	18,536	15,782	2,754
1982	12,838	18,137	-5,299
1983	9,950	18,938	-8,988
1984	9,200	16,520	-7,320

(1) Net emigration = Emigration - Repatriation

Source: Hatzipanayotou, 1977, p. 72.

Consequently migration to West Germany declined and repatriation increased, as we can see in table I-38.

3. The characteristics of repatriation.

a. Repatriation by sex.

48% of the returning migrants were women; (Giannopoulos, 1979, p. 169) This simply reflected the composition of the postwar emigration from Greece (high woman participation) and the vulnerability of women

to unemployment due to their low competitiveness in the labour market.

If one accepts Bohning's (1984, pp. 80-86) maturity stages of a migratory flow, where women follow the men to emigration with a time lag, it is logical to assume that they are the ones to leave first when things are no longer prosperous. In fact, in the case of the Greek emigrants, the repatriation of emigrants' wives and other female relatives preceded the repatriation of male emigrants.

b. The employment of the returning emigrants to Greece.

Even though there are no precise data on the employment of returning migrants to Greece, it is indicative that in 1974, only 6.6% undertook dependent employment; the rate for 1975 was even lower, 5.9% (King, 1980, p. 26). Most of them used their savings from abroad to buy flats and stores which they rented out and tried to make a living out of it. 8% of them were employed in agriculture (which had supplied 30% of the emigrants) (op. cit. p. 118), and only 10% of them undertook employment in manufacturing (OECD, 1979). Returning emigrants seemed unwilling to undertake dependent employment when it was offered to them (Kayser, 1977, p. 131) and to take advantage of the retraining schemes the Greek government offered. The main reasons for both were their dislike for the rough conditions of industrial employment (which in fact had exhausted many of them abroad), their desire to become "bosses" and the particularly low wage level, relatively to the one in the immigration countries, although self-employment did not really guarantee a substantially higher income (Nikolinakos, 1973, p. 84).

Table I-39: The regional distribution of repatriation (1974 & 1975)
(in %).

Region	\Year	1974	1975
Eastern Continental Greece and Islands		8.8	9.7
Central and West Macedonia		30.8	31.4
Eastern Macedonia and Thrace		28.8	33.0
Thessaly		10.3	8.3
Epirus		13.5	10.5
Peloponnese		4.4	4.0
Crete		3.4	3.1
Total		100.0	100.0

Source: Hatzipanayotou, 1977, p. 70.

As a result, most of them preferred self employment, especially in the tertiary sector. Their savings were used to finance the creation of small commercial and other units (small stores, taxis etc.) at a time when the market was saturated by such units, besides the fact that their productivity was extremely low.

4. The Regional Distribution of Repatriation.

A considerable part of returning emigrants (74%) went to Macedonia, Thrace and Epirus, which, after all, had contributed the most to emigration (table I-39). For the vast majority of those returning, one could simply say that they returned to the regions they had left from.

In the period 1971-1977 repatriation was quite substantial as a percentage of total population, fluctuating from 1% of total population in Peloponnesse, W. Continental Greece and Crete to 5.5% in Eastern Macedonia. Generally speaking, repatriation caused a population increase for most regions of 2-3.6% (Glitsos, 1980, p. 16).

Between 1974 and 1976, 43.7% of the returning migrants went to Macedonia which had a 46.2% contribution to emigration in the 1960s (Giannopoulos, 1979, p. 169). This means that in the medium run the negative effect of emigration on the region's labour force was neutralised by repatriation. This was true for all Greek regions, more or less. By the mid-1970s therefore, it seemed that repatriation was distributed among regions at rates relative to the emigration ones. By 1979 though, it was already obvious that the truth was quite different; repatriation had contributed to the increase of urbanisation. This was due to two main reasons: the first one was that after 1977, returning emigrants started to prefer Athens (mainly) and Thessaloniki as their new place of establishment; the second one was that many returning emigrants decided to move to the urban centers after a short stay in their regions of origin (in fact, after finding out either that there were more employment opportunities in the large cities or that the small firms they owned had a better chance in the conurbation areas) (Glitsos, 1980, p. 19).

D. SOME RELATIVELY RECENT DEVELOPMENTS.

1. The "Migratory Paradox".

The migratory paradox in Greece has to do with the inflow of foreign workers in the country, at the same time Greeks were emigrating to the E.C. ones. Immigration to Greece was caused by emigration from Greece; in the early 1970s Greece started to witness a labour shortage problem, especially as far as rough and unhealthy jobs were concerned. In addition to that, many foreign-owned firms established in Greece, were using foreign employees (especially managerial and scientific staff as well as highly skilled workers). The main point of the paradox is that, in spite of the labour shortage in Greece, emigration proceeded until the recession.

By 1980 28,237 foreign workers (29.5% of them were women) were employed in Greece; this number represented 1.2% of the labour force for the urban areas of the country. 64.2% of them were ethnic Greeks from Cyprus, Turkey and Albania. Foreign employees from the E.C. countries represented 22.6% of the immigrants in Greece (Hatzipanayotou, 1982).

From table I-40, it can be derived that 51.8% of the immigrants in Greece came from Europe, 4.7% from America, 28.5% from Asia and 4.3% from Australia. As far as sectoral distribution of immigrants in Greece is concerned, and according to a 1982 survey (Hatzipanayotou, 1982 p. 26), 25.6% of the immigrants in Greece were employed in commerce and tourism, 25.3% in manufacturing, 15.5% in services, 15.3% in transportation and telecommunications, 9.8% in banks and insurance companies and 8.5% in other sectors.

A final interesting point is that by 1981, 77.1% of the immigrants were established in Athens, 5.1% in Thessaloniki and only 12% in the remaining 46 districts of the country (op. cit., p. 28).

The data so far only refers to foreign workers officially and legitimately established in Greece; one should take into account though, the foreign sailors working in Greek ships. This phenomenon first appeared during the dictatorship and continued ever since. Most of these foreign sailors come from African and Asian countries and they are payed much less than the Greek ones. Consequently more and more of

them are hired and, for the first time in the history of the Greek navigation, the unemployment of Greek sailors has risen to unprecedented standards.

Table I-40: A. Working permits for foreign workers in Greece by continent of origin (1973-1982) (1)

Year	Total	Europe	Africa	America	Asia	Australia	Not classified
1973	18,609	11,549	1,133	2,037	2,500	741	449
1974	22,903	14,171	819	2,339	3,422	867	1,292
1975	25,462	14,105	1,200	1,874	6,151	600	1,532
1976	26,032	11,047	1,212	2,668	7,717	840	2,548
1977	27,502	11,816	1,475	2,878	7,667	898	2,687
1978	28,231	12,608	1,474	3,220	7,935	1,039	1,955
1979	27,188	12,897	1,944	3,181	7,322	910	934
1980	27,823	14,330	2,150	3,101	6,682	840	720
1981	27,071	14,239	2,049	2,662	6,804	588	729
1982	21,286	11,175	1,886	1,660	5,975	439	151

B. Foreigners working in Greece (1973-1987).

Year	Total	Europe	Africa	America	Asia	Australia	Not classified
1973	6,982	3,968	526	912	1,001	325	250
1974	19,376	12,155	546	1,910	2,688	715	1,362
1975	19,764	10,365	503	1,494	4,635	528	2,237
1976	23,118	9,746	694	2,306	6,637	772	2,963
1977	28,854	12,659	843	2,925	7,607	1,080	3,740
1978	29,706	13,437	949	3,259	7,955	1,187	2,919
1979	29,838	14,615	1,020	3,488	7,862	1,306	1,549
1980	28,628	14,216	1,180	3,405	7,919	1,354	554
1981	30,016	14,411	1,488	3,384	8,919	1,277	537
1982	30,261	15,675	1,420	2,999	8,620	1,304	243
1983	28,736	-	-	-	-	-	-
1984	26,864	-	-	-	-	-	-
1985	28,156	-	-	-	-	-	-
1986	28,000	-	-	-	-	-	-
1987	28,854	-	-	-	-	-	-

(1) Besides those having a permit, there was a considerable number of foreign employees without working permits.

Sources: a) Statistical Handbook of Greece, (various issues).

b) Kioulafas and Zaragas, 1990, pp. 240-1.

2. The Background on Intra-Community Migration and Emigration from Greece to the other E.C. Countries after 1981.

Besides the theoretical background and the E.C. free labour mobility principle, the institutional framework which was finally adopted,

reflected the conflict of interests between the six founding members of the E.C. On the one hand, Italy needed to direct its surplus labour to other E.C. countries through migration and was interested in establishing a Community attitude where Community emigrants would have a priority relatively to the non-E.C. ones. On the other hand the other five E.C. members (and particularly France and Germany), were in favour of the idea that the employment policy should continue to be exercised at the national level rather than an E.C. one. The relevant literature suggests that intra-E.C. labour movements seem to have been influenced by the same factors that determine migratory flows on the international level, rather than by the E.C. framework.

A careful examination of the intra-E.C. labour movements, indicates that in periods of excess demand for labour, when the Community labour force is not adequate to cover the labour shortages that follow industrial expansion, the institutional framework of the E.C. hardly influences migratory flows. In such cases, restrictions on the inflow of non-E.C. workers cease or are considerably relaxed and immigration evolves irrespectively of the E.C. framework. (Commission of the E. C., 1982) The importance of the E.C. institutional framework on movements of labour lies in its ability to influence migration when the demand for labour is limited. In these cases non-E.C. immigration may surpass intra-Community migration. (Papastamkos, 1982, p. 124) This is more due to the restrictions on non-E.C. immigration, rather than to a significant increase of intra-E.C. immigration. In this case the fall of the non-E.C. immigration is outweighed by an increase of the intra-E.C. labour movements. The size and the direction of intra-E.C. migratory flows depends on factors such as the ability of some countries to absorb labour from others, the skill level of the migrants and the differences in wage levels. A final determining factor is, of course, the existence of labour reserves in the emigration countries.

Prior to the Mediterranean enlargement of the E.C., Italy and Ireland were the only emigration E.C. countries; one should keep in mind, though, that emigration from these countries to the other member states, more or less came to an end in the 1960s.

Especially after 1973, the intra-E.C. migration only refers to certain skilled workers as well as scientists who move from one country

to another to take advantage of differences in wages. This kind of movements are usually temporary and they are far from been considered a significant in size migratory flow (Denton, 1969).

Table I-41: Greek immigrants in the E.C.(1) countries in 1981.

Country	Number of immigrants	%
F.R.G.	299,300	84.72
France	7,860	2.22
Netherlands	4,090	1.15
Belgium	21,230	6.00
Luxembourg	236	0.06
U.K.	20,000	5.66
Denmark	550	0.15
Total	353,266	100.00

(1) Italy and Ireland are not included in this table, but the number of Greek immigrants in these two countries is negligible.

Sources: a) Eurostat.

b) Own calculations.

As far as Greece is concerned, one could note the following points: according to the National Statistical Service of Greece, in 1981 706,532 of the people who emigrated from Greece were still living in immigration countries all over the world; 353,266 (50%) of them were established in the E.C. countries. In table I-41 we can see the distribution of the Greek immigrants in the E.C. by country. (Mitsos, 1984, p. 179) The number of Greek workers in the E.C. countries continued to fall during the 1980s, and by 1986 there were only 310,266 Greek immigrants in the 9 E.C. members (ESYE); the number of Greeks in Spain and Portugal is negligible. In spite of the rapid repatriation in the 1970s, West Germany is still the main immigration country for the Greeks. In table I-42 we can see the evolution of emigration, repatriation and net emigration of Greeks to West Germany for a period covering a few years before and a few years after the accession of Greece to the E.C.

From table I-42, one can derive that emigration althrough the period is constantly declining, but this decline is more obvious in the period after the accession of Greece to the E.C. This indicates that, as in the case of the other emigration E.C. countries, the accession to the

E.C. and the application of the Community framework was not followed by an acceleration of emigration. One could say that this conclusion is altered by the data on repatriation and net emigration. It seems that repatriation is declining (it rises after the accession though) and net emigration is rising in the 1970s, becomes positive in 1981 and declines ever since. The decline of repatriation could be explained on the ground that the persisting negative migration in the 1970s reduced the stock of the Greek emigrants in West Germany.

Table I-42: Emigration, repatriation and net emigration from Greece to FRG. (1977-84)

Year	Emigrat.	% change	Repatriat.	% change	Net emigrat.	% change
1977	15,276	-0.04	48,000	0.17	-32,734	-0.30
1978	14,400	-0.05	-0.002 36,300	-0.24	-0.120 -21,900	-0.33
1979	14,787	0.02	29,247	-0.19	-14,460	-0.34
1980	15,811	0.06	22,318	-0.23	-6,507	-0.55
1981	18,536	0.17	15,782	-0.29	1,754	0.73
1982	12,838	-0.30	-0.105 18,137	0.14	-0.050 -5,299	-2.02
1983	9,950	-0.22	18,938	0.04	-8,988	-0.70
1984	9,200	-0.07	16,520	-0.12	-7,320	-0.19

Sources: a) Greek Ministry of labour.
b) Own calculations.

C H A P T E R F O U R

**" AN ECONOMETRIC INVESTIGATION OF THE DETERMINING
FACTORS OF EMIGRATION FROM GREECE TO THE E.C
COUNTRIES IN THE POSTWAR PERIOD "**

A. INTRODUCTION.

Having examined the evolution of emigration from Greece in the postwar period, we will now investigate which of the factors influencing emigration according to the economic theory were the decisive ones in the particular case of emigration from Greece to West Germany. West Germany could indeed represent the E.C. as far as emigration from Greece is concerned, having absorbed the vast majority of Greek emigrants.

The econometric model to be used will be estimated according to the O.L.S. method.

The aim of this chapter is to construct an econometric model containing as independent variables all the factors that are assumed to have determined emigration from Greece to West Germany, and to estimate and test this model. The program used will be the GIVE time series econometric package.

As already mentioned, there has been a debate on the preponderance of "push" and "pull" factors as far as determining migration is concerned. The significance of these two sets of factors will be tested separately before constructing a final eclectic model containing both "push" and "pull" factors as independent variables.

B. THE "PUSH" AND "PULL" FACTORS MODELS.

We could define the two hypotheses as follows:

H0 : The push factors are superior to the pull ones in explaining migratory flows from Greece to West Germany.

H1 : The pull factors were superior to the push ones.

In terms of econometric investigation, testing these two hypotheses simply means constructing two models, the first one containing the push factors and the second model the pull ones as independent variables, emigration from Greece to F.R.G. being the dependant variable in both models. The next step should be to compare these two models and determine the one which is superior, according to certain economic and econometric criteria. The superiority of one of these models will give an answer as to whether the H0 or the H1 hypothesis is valid.

Testing the two hypotheses will be carried out by the encompassing

test for non-nested variables provided by the GIVE econometric package.

1. The "Push" Factors Model.

In order to construct a model of emigration including only the push factors as independent variables, we should first present the theoretical equation, that is an equation where migration is expressed as a function of the push factors analysed in chapter one. This equation could be as follows:

$M_t = f(W_{emt}, U_{emt}, Y_{emt}, H_{emt}, GDP_{emt}, JVU_{emt})$ where:

M_t = Number of emigrants in period t,

W_{emt} = Wage level in the emigration country in period t,

U_{emt} = Unemployment " " " " " " " ,

Y_{emt} = Income " " " " " " " ,

H_{emt} = Hours of work " " " " " " " ,

GDP_{emt} = GDP " " " " " " " ,

JVU_{emt} = Job vacancies " " " " " " " ,

The logic of including these explanatory variables in the equation and the expected signs of the estimated coefficients could be analysed as follows:

- Wages in the emigration country can influence the size of emigration according to the theory, in the sense that the higher wages are, the less incentive people will have to emigrate; this is based on the idea that emigrants are "pushed" to emigrate by the low wage level in their country of origin.
- Income and GDP could be seen as a proxy for the welfare level in the emigration country. As in the case of wages they are expected to be negatively related to the number of people emigrating. In particular, the income level in the sector where emigrants mainly come from is more indicative of their welfare status before emigration.
- The number of hours of work per week is expected to be positively related to emigration, in the sense that the more hours people have to work, the more likely it will be for them to seek employment elsewhere;
- Finally, the number of job vacancies unfilled in the emigration country, represents the employment opportunities people are faced with in their country of origin; therefore, they should be negatively related to emigration.

Following the logic of the aforementioned equation and, given the

limitations of the availability of data in Greece (e.g. there is no data for job vacancies unfilled), I came up with the following general "push" factor model of emigration from Greece to West Germany (F.R.G.) for the period 1960-1986:

$$\begin{aligned}
 Mt = & 227.12 + 0.76 Mt-1 - 3.88 APCgrt - 3.88 APCgrt-1 + 0.001 GDPgrt + \\
 & (0.85) \quad (4.38) \quad (-2.14) \quad (-2.04) \quad (0.54) \\
 & 0.001 GDPgrt-1 - 51.22 Wgrt + 44.46 Wgrt-1 + 0.33 Hgrt - 2.35 Hgrt-1 \\
 & (0.95) \quad (-1.48) \quad (1.37) \quad (0.05) \quad (-0.40) \\
 & - 1.14 Ugrt - 13.68 Ugrt-1 + Ut \\
 & (-0.18) \quad (-2.05)
 \end{aligned}$$

(t-ratios in brackets)

$R^2=0.86$, $F(12, 12)= 13.64$ where

Mt and $Mt-1$: Number of people emigrating from Greece to FRG in periods t and $t-1$ respectively,

$APCgrt$ and $APCgrt-1$: The per capita productivity in agriculture in Greece, in real terms for periods t and $t-1$ respectively (used as a proxy of per capita agricultural income, since the majority of greek emigrants came from agriculture - chapter three),

$GDPt$ and $GDPt-1$: GDP in Greece, in real terms in periods t and $t-1$ respectively,

$Wgrt$ and $Wgrt-1$: Hourly wages in manufacture (as a proxy of the general wage level) in Greece in periods t and $t-1$ respectively,

$Hgrt$ and $Hgrt-1$: Weekly hours of work in Greek manufacturing in periods t and $t-1$ respectively,

$Ugrt$ and $Ugrt-1$: Unemployment rate in Greece in periods t and $t-1$ respectively,

Ut :error term

The linear form of the model was preferred on the grounds of its better fit in relation to other possible forms (e.g. log-linear). As we can see, this model includes a series of non-significant (critical value for $t=2.13$) explanatory variables, as well as variables with the "wrong" (according to economic theory) signs.

A "smaller" and better model was therefore needed. After dropping the non-significant variables, I finally came up with the following model:

$$Mt = 40.24 + 0.8 Mt-1 - 0.57 APCgrt-1 - 30.00 Rt + Ut$$

(3.97) (6.77) (-2.98) (-2.38)

(t-ratios in brackets)

Means: Mt (35.74), Mt-1 (35.96), APCgrt-1 (39.78), Rt (31.88)

$R^2 = 0.835$, $F(4, 20) = 38.90$ where:

Mt : Emigration from Greece to FRG in period t in 000s

Mt-1 : " " " " " " " t-1 " "

(the fact that emigrants are measured in thousands explains the large size of the constant term)

APCgrt-1 : Greek agricultural productivity per capita in period t.

Rt : Repatriation from Greece to FRG in period t.

Ut : Error term.

Further to the discussion on the general model, the inclusion of these variables in the model and the signs of their coefficients are justified as follows:

1. The fact that emigration in period t is greatly determined by emigration in the previous year and, in fact, with a positive relation, makes a lot of sense; the more people leave in a certain year, the more should be expected to follow in the next one, influenced by word of mouth by those who left before.
2. In the same way, repatriation in period t influences emigration adversely, in the sense that an increase in repatriation could be taken as a signal of unfavourable conditions in the immigration country for potential emigrants. One could argue though that repatriation may be endogenous (i.e. repatriation and emigration may both be influenced by some third variable).
3. The per capita agricultural productivity in Greece (defined as GDP in agriculture / agricultural labour force) is a quite satisfactory proxy of the evolution of income in agriculture, which after all, contributed the most to the emigratory flows, as we have seen. It is, therefore, acceptable to assume that a fall in per capita agricultural productivity in period t-1 may cause an increase in emigration in the next period, as the model implies.

The fit of the model seems to be quite satisfactory ($R^2 = 0.835$, $F = 38.90$ and t-ratios higher than the critical value 1.721 at a 95% confidence level).

The size of the slope coefficients and the short and long-run elasticities imply that:

Mt-1: An increase of emigration by one unit in period t-1 causes an increase of emigration by 0.8 units in period t. Using the elasticities (short-run 0.80, long-run 0.85), we could say that a 10% increase in Mt-1 will cause a 8.0% increase in Mt in the short-run, or a 8.5% one in the long one.

APCgrt-1: An increase in per capita agricultural productivity of Greece by one million drachmas (constant 1970 prices) in period t-1, causes a fall of 0.67 in emigration in period t (short-run elasticity -0.63, long-run -2.56).

Rt: An increase of repatriation by one unit in period t causes a fall of emigration in the same period by 30 (short run elasticity 26.7, long-run 43.8).

Testing the model.

The model was tested for autocorrelation, ARCH (Autoregressive Conditional Heteroscedasticity), Normality, Heteroscedasticity and Omitted variables; testing for mis-specification was not possible because of insufficient degrees of freedom. In particular:

The test for autocorrelation revealed the absence of autocorrelation of the first, second and fourth order.

For 1st order autocorrelation	:	$F(1,20) = 3.42$,	Cr. value = 4.30
" 2nd "	"	$F(2,19) = 3.14$,	Cr. value = 3.47
" 3rd "	"	$F(3,18) = 3.05$,	Cr. value = 3.16
" 4th "	"	$F(4,17) = 2.05$,	Cr. value = 2.40

(all critical values at a 95% confidence level).

The test for ARCH revealed the absence of Autoregressive Conditional Heteroscedasticity: $F(1,19) = 3.72$ (Cr. value = 4.32 - conf. level 95%).

The test for normality indicated that the residuals are normally distributed ($\chi^2(2) = 1.101$, Cr. value = 5.991 - conf. level 95%).

The tests also indicated the absence of Heteroscedasticity in the residuals ($F(6,14) = 1.51$, Cr. value = 2.74 - conf. level 95%).

Finally the RESET test indicated no omitted variables (powers of the existing variables) ($F(1,20) = 0.34$, Cr. value = 3.47 - conf. level 95%).

The results of the above tests indicate that the regression

estimators are "consistent" and that the use of the OLS estimation method is justified.

Although all the possible variables were tested before coming up with the final "push" factor model, I also performed the F-test for adding them from the data set. This test indicated that none of them was significant. I also attempted to include a Dummy variable D_t representing the legislative framework of emigration from Greece to West Germany (taking the value of 1 when the bilateral emigration agreement was in operation and 0 when it was not). Although this variable seemed to be significant when tested separately, it gave rise to statistical problems; the F-test and the Chow test for adding it to the final "push" factors model revealed that the inclusion of this variable did not significantly affect the results.

2. The "Pull" Factors Model.

Following the same procedure as in the case of the "push" factors model I came up with the following general "pull" factor equation (the linear form proving to be the best one once again):

$$\begin{aligned}
 M_t = & 24.02 + 0.24 M_{t-1} + 14.17 D_t + 4.39 D_{t-1} - 0.02 \text{ GDPfrgt} \\
 & (0.04) \quad (0.45) \quad (0.97) \quad (0.24) \quad (-0.83) \\
 & - 0.01 \text{ GDPfrgt-1} - 1.41 \text{ Wfrgt} + 4.47 \text{ Wfrgt-1} + 0.09 \text{ Hfrgt} - \\
 & (-0.35) \quad (-0.20) \quad (0.58) \quad (0.00) \\
 & - 0.93 \text{ Hfrgt-1} - 2.09 \text{ Ufrgt} + 1.42 \text{ Ufrgt-1} + 0.13 \text{ JVUfrgt} - \\
 & (-0.13) \quad (-0.10) \quad (0.82) \quad (2.97) \\
 & - 0.02 \text{ JVUfrgt-1} + U_t \\
 & (-0.23)
 \end{aligned}$$

$$R^2 = 0.952, F(15,9)=11.91, D.W.=1.85,$$

where all the variables are the same as in the "push" factor model but relate to FRG.

The logic of including these explanatory variables in the model and the expected signs of the estimated coefficients, according to the theory, is more or less the same as in the "push" factor model. In particular:

- GDPfrg, Wfrg and JVUfrg represent factors positively related to immigration in the sense that people are attracted by high wages income level and availability of jobs in the immigration country.

- Ufrg and Hfrg should be negatively related to immigration since potential immigrants are discouraged by high unemployment and a hard (in terms of hours of work) working schedule.
- Mt-1 and D should be positively related to immigration, Mt-1 for reasons previously analysed and D because a favourable legal framework is, after all, a permissive factor for immigration to occur.

Here again, the non-significant variables and the "wrong" signs indicated the need for a smaller and better model such as the following final equation:

$$Mt = -36.61 + 0.21 Mt-1 + 0.13 JVUfrgt + 2.60 MUt + Ut$$

(-3.30) (2.19) (6.07) (2.55)

Means: Mt (38.60), Mt-1 (38.47), JVUfrgt (41.16), MUt (3.37)

$$R^2 = 0.909, F(4,20) = 70.61$$

where Mt and Mt-1 are the same as in the "push" factors model JVUfrgt = job vacancies unfilled, in 000s, in FRG, in period t,

MUt = The unemployment rate of Greek immigrants in FRG in period t,

Ut = Error term.

The inclusion of these variables in the model and the signs of the estimated coefficients is further justified as follows:

1. Job vacancies unfilled are an indicator of the absorbtiveness of the W. German economy in foreign labour. The positive relation between Mt and JVUfrgt seems therefore, to make a lot of sense. (Short-run elasticity 0.010, long-run 0.015).
2. The unemployment rate of Greek immigrants in West Germany, is an indicator of the job vacancies made available for the new immigrants because, as we will see, Greek immigrants losing their jobs were replaced by their new comer compatriots.

The coefficient of MUt (unemployment of Greek immigrants in West Germany) is now positive, this indicating that an increase of the unemployment of Greeks already established in West Germany by one unit led to an increase of emigration by 2,638.28 units (short-run elasticity 29.7, long-run 37.64). This seems surprising at first sight but it can be explained on the basis of the particular characteristics of the movements and employment of Greeks in that country. As already mentioned, when the bilateral migratory agreement was in force, immigrants were employed in a predetermined firm, usually under a one

year contract, paid the wage of an unskilled worker and usually undertook hard and, in many cases, unhealthy jobs. (Matzouranis, 1974) Their wish to earn as much money as possible (a great part of which was remitted to their families), their fear of a possible sacking and their hope that a renewal of their contract could lead to a raise in their pay, contributed to their intensive efforts in the job; as a result, they were usually surpassing their productivity norm. (op. cit.) Besides this increased productivity, immigrants appeared to be very reluctant as far as trade unionism was concerned because of their insecurity; (Nikolinakos, 1975) these unfavourable work and pay conditions led a number of immigrants to break their contracts and search for employment elsewhere or, simply, to choose to live on unemployment benefits for a while (as long as they were entitled to them) rather than be forced to leave the country.

In most cases, however, immigrants came to be unemployed because their employers did not renew their contracts but preferred to renew their labour force by bringing in new foreign workers who had the "advantage" over the old ones that they could be paid less and probably work harder without developing any new trade unions, or participating in existing ones.

No matter who decided to break off or not renew the work relationship (contract), however, the immigrants that came to be unemployed had to be replaced by new immigrants. Therefore, the more old immigrants were unemployed, the more new immigrants had to be moved in order to replace them.

3. Finally, the same as in the "push" factors model could be said for Mt-1, only in this case, with reference to German employers.

The fit of the model seems to be very satisfactory indeed; ($R^2 = 0.909$, $F(4,20) = 70.01$ and all t-ratios well above the critical value 1.721 at a 95% confidence level).

The size of the slope coefficients implies that:

- a. An increase of immigration by 1 unit in period t-1 "causes" an increase of immigration by 0.2 units in period t.
- b. An increase of the unfilled job vacancies by 1 in period t "causes" an increase of immigration by 0.13 in the same period.
- c. An increase of MU by one percentage point in period t "causes" an increase of immigration by 2,600 people in the same period.

Testing the model.

As in the "push" factors model case, the insufficient number of degrees of freedom made the mis-specification test impossible. Testing the model was, therefore, limited to tests for autocorrelation, ARCH, Normality, Heteroscedasticity and omitted variables.

The test for autocorrelation of the residuals revealed the absence of autocorrelation of the first, second and fourth order;

For 1st order autocorrelation : $F(1,20) = 3.69$, Cr. value = 4.35

" 2nd " " : $F(2,19) = 1.99$, Cr. value = 3.52

" 3rd " " : $F(3,18) = 1.46$, Cr. value = 3.16

" 4th " " : $F(4,17) = 1.05$, Cr. value = 2.96

(all critical values at a 95% confidence level).

The absence of ARCH of the residuals was also indicated by the F-test ($F(1,19) = 0.31$, Cr. value = 4.38 - conf. level 95%).

The test for normality indicated that the residuals are normally distributed ($\chi^2(2) = 1.326$, Cr. value = 5.991 - conf. level 95%).

The F-test also showed the absence of heteroscedasticity of the residuals ($F(6,14) = 1.256$, Cr. value = 2.85 - conf. level 95%).

Finally the RESET test indicated no omitted variables (powers of existing variables) ($F\text{-test}(1, 20) = 0.806$, Cr. value = 4.35 - conf. level 95%).

As in the case of the "push" factors model therefore, the estimators were found to be "consistent" and the use of the OLS method justified.

The F-test for adding variables from the data set revealed that no other variable was necessary.

C. TESTING THE TWO HYPOTHESES.

The investigation of which of the two models is superior in explaining emigration from Greece to West Germany in the period 1960-84, was carried out by the encompassing test. According to this test, model 1 is tested against model 2 (push and pull factors models in our case) using a series of tests as can be seen in the following table:

Push Versus Pull Factors model	Form	Test	Form	Pull versus Push Factors model
-6.104	$N(0,1)$	COX	$N(0,1)$	-1.500
3.999	$N(0,1)$	Ericson	$N(0,1)$	1.263
10.824	$CHI(2)$	Sargan	$CHI(2)$	4.270
9.334	$F(2,21)$	joint model	$F(2,21)$	2.394
3.467	$F(2,21)$	cr.values	$F(2,21)$	3.467

Under the null hypothesis that Model 1 encompasses Model 2, the Cox-test and the Ericsson IV test is distributed as $N(0,1)$.

The Sargan-test is a Wald-test of the restricted against the unrestricted form of the model, and so is a test of the validity of using Model 2's instruments when estimating Model 1 (and conversely).

The F-tests test each model against the joint one (the one including all the variables of both models).

The above table reveals that the "pull" factors (H_1) hypothesis is valid or, in other words, that "pull" factors are superior to the "push" factors in explaining emigration in that particular case.

A final point, in fact amplifying the so far conclusions on the relative significance of "push" and "pull" factors in determining this particular emigration is that, an effort to form a joint model including both sets of factors resulted in the "pull" factors model as already estimated.

CONCLUSIONS OF THE FIRST PART.

Since the end of World War II millions of people have emigrated from the less developed European countries seeking employment and better living conditions. Almost all the developed European countries absorbed immigrants during that period. "For a long period of time it seemed that foreign labour was a structural necessity for the immigration countries" (Todaro, 1969).

Just after the end of the war, many economists expressed fears that Europe could not employ all its labour force and a repetition of emigration to U.S.A. should be expected. West Germany, in particular, was considered as the main problem, having received 8 million refugees from Eastern Germany (Nikolinakos, 1978). Even when full employment was obtained in most countries, this was considered a temporary effect of reconstruction. Besides that, there was a reluctance as far as employing foreign labour was concerned and no country had made its policy on immigration clear from the beginning (Vanhove and Klaassen, 1980).

Emigration evolved in absolute accordance to the increasing demand for labour by the Western European manufacturing. Immigration policies followed in order to regulate rather than determine the inflow of foreign workers. Many of the social implications of migration were, in fact, due to this lack of planning. The causes of the postwar intra-European migration, (including the particular one from Greece) were a combination of "pull" factors from the immigration countries and "push" factors from the emigration ones.

The "pull" factors had to do with the rapid growth of the developed European countries and the consequent increase in the demand for labour. The "push" ones, on the other hand, although present, were not decisive neither as far as the structure nor even as far as the size of migration was concerned. The "push" factors are usually defined in terms of the "pull" ones; wages in the emigration countries can initiate migration (this was not the case for the particular emigration from Greece as we have seen) only if they are lower (and therefore exogenously determined) than the ones in the immigration countries.

The econometric investigation was illuminating and indicated the

preponderance of job availability in West Germany. In other words, it indicated the preponderance of "pull" factors relatively to the "push" ones; this means that Greece could hardly determine or even influence the characteristics of migration. This, should be expected since only those with a permit from the authorities of the immigration countries were allowed to emigrate. The market therefore, was clearly demand determined.

The full understanding of the causes of migration requires the full understanding of underdevelopment and its causes in the contemporary world; inequalities in the rates of natural increase of the population in Europe, caused a problem in the distribution of the factors of production relatively to the development level of each country. The less developed European countries therefore, witnessed a surplus of labour which couldn't be employed in the short-run. For this surplus labour and for the short-run period, the dilemma was between unemployment and underemployment in the homeland or industrial employment abroad. By the time recession hit the Western European industry causing a fall in it's demand for labour, the emigration alternative simply ceased to exist.

Conclusively, one could say that the evolution of migration between Greece and the E.C. countries verified Joan Robinson's theorem: "...in each period, the laws governing International Economic Relations, are formed every time in such a way as to serve the interests of the stronger country..." (Roumeliotis, 1978, p. 18).

DATA APPENDIX

Table I-9: Employment and production in Greece (1951-81)

Sector \ Year	(1)		(2)		(3)		(4)		(5)	
	1971	1981	1971	1981	1971	1981	1971	1981	1951-61	61-71 71-81
	Production index (1951=100)	Employment index (1951=100)	Production index (1951=100)	Employment index (1951=100)	Production index (1951=100)	Employment index (1951=100)	Production index (1951=100)	Employment index (1951=100)	Production index (1951=100)	Employment index (1951=100)
Agriculture	197	252	68	61	-0.61	-0.15	-0.33	-0.26	0.23	-2.00
Mining	675	975	165	153	0.24	0.16	0.11	0.06	0.01	0.00
Manufacture	583	949	125	163	0.21	0.17	0.05	0.07	0.09	0.09
Constructions	674	544	343	423	0.51	0.78	0.42	0.73	0.13	0.20
Electricity	1032	3010	266	321	0.26	0.11	0.18	0.76	0.01	0.01
Commerce	368	592	172	250	0.47	0.42	0.27	0.30	0.09	0.23
Transportation	469	752	160	218	0.34	0.29	0.16	0.18	0.04	0.13
Services	281	472	134	180	0.48	0.38	0.19	0.21	0.12	0.09
Primary sector	197	252	68	61	-0.16	-0.15	-0.33	-0.26	0.23	-0.20
Secondary "	624	894	158	201	0.25	0.22	0.11	0.13	0.12	0.30
Tertiary "	322	532	150	208	0.47	0.39	0.23	0.25	0.24	0.45
Total	343	517	104	112	0.30	0.22	0.02	0.03		

Source: Fotopoulos, 1985, p. 117.

Table I-21: The evolution of unemployment (U) in Greece (1950-88).

Year	U in 000s	U rate	Percentage change of U rate	Year	U in 000s	U rate	Percentage change of U rate
1950	160	5.0	-	1970	49	3.6	-0.07
1951	179	4.4	-0.12	1971	30	4.7	0.30
1952	54	-	-	1972	24	3.7	-0.21
1953	76	-	-	1973	22	3.5	-0.05
1954	55	-	-	1974	27	2.0	-0.42
1955	121	-	-	1975	35	2.1	0.05
1956	41	-	-	1976	29	3.1	0.47
1957	89	-	-	1977	28	1.6	-0.48
1958	87	-	-	1978	31	2.0	0.25
1959	99	-	-	1979	32	2.1	0.05
1960	93	5.8	-	1980	37	2.6	0.23
1961	80	5.9	0.01	1981a	149	4.0	0.53
1962	79	5.6	-0.05	1982	215	5.8	0.45
1963	76	5.3	-0.05	1983	299	7.4	0.27
1964	71	4.9	-0.07	1984	315	8.1	0.09
1965	70	4.6	-0.06	1985	303	7.8	-0.03
1966	70	5.3	0.15	1986	289	7.4	-0.04
1967	89	4.0	-0.24	1987	292	7.4	0.00
1968	78	3.9	-0.02	1988	304	7.7	0.03
1969	71	3.9	0.00				

a: after 1981 the method of estimation of unemployment in Greece changes; according to the pre-1981 method of estimation the rates would be 1981: 2.7, 1982: 3.2, 1983: 3.8, 1984: 4.2, 1985: 5.2 (Dretakis, 1987).

Sources: a) ILO, Annual Labour Statistics, (various issues).

b) Negreponti-Delivani, 1981.

c) Babanasis, 1986.

d) Lalonde and Papandreou, 1986.

e) Own calculations.

Table I-22: Unemployment in Greece by professional group (1958-85).

Year	Total unemployment	Professionals etc.	Administrative staff	Clerical staff	Salesmen etc.	Farmers etc.	Miners etc.	Employed in transportation	Craftsmen and industrial workers	Employed in services
1958	79,075	1,108	50	4,149	1,840	1,892	883	2,509	61,790	4,854
1959	89,065	1,166	62	4,529	2,198	2,419	1,164	2,606	68,873	6,048
1960	86,698	1,174	73	4,511	2,138	2,514	1,071	2,385	66,547	6,285
1961	76,001	1,067	53	4,264	1,868	2,686	911	2,077	57,198	5,877
1962	74,539	1,262	81	5,281	1,927	2,394	933	2,305	53,475	6,881
1963	69,609	1,488	22	4,962	2,017	1,847	891	2,064	48,904	7,414
1964	64,802	1,344	28	5,138	1,946	1,729	952	1,772	44,324	7,569
1965	64,289	1,454	30	5,452	2,039	1,744	758	1,904	43,258	7,650
1966	64,795	1,399	30	6,227	2,019	1,925	911	1,873	42,878	7,533
1967	83,506	1,447	42	5,561	2,096	2,004	1,044	2,188	59,719	9,405
1968	73,718	1,567	43	5,710	2,295	1,304	848	2,212	51,260	8,479
1969	66,501	1,447	42	6,089	2,521	1,230	687	1,698	45,154	7,633
1970	48,687	1,240	43	4,508	1,957	966	552	1,380	32,643	5,368
1971	30,317	912	31	2,746	1,144	658	401	929	20,064	3,432
1972	23,833	747	36	1,938	849	615	365	640	15,692	2,951
1973	21,445	712	49	1,847	649	478	301	503	13,983	2,923
1974	27,101	950	80	2,132	749	503	385	810	17,654	3,838
1975	34,969	1,156	105	2,493	982	644	522	1,132	23,728	4,207
1976	28,474	973	83	2,195	866	601	393	945	18,343	4,075
1977	27,668	1,056	79	2,236	-	559	-	922	18,746	4,070
1978	30,198	1,226	90	2,665	-	585	-	1,064	20,808	4,480
1979	31,585	1,475	87	3,088	-	596	-	1,211	19,990	5,090
1980	37,200	1,720	72	3,671	-	699	-	1,415	23,583	5,950
1981	42,522	1,905	80	4,171	-	778	-	1,579	26,613	7,330
1982	50,643	2,995	104	5,435	-	816	-	1,900	30,837	8,368
1983	61,646	3,431	111	6,917	-	976	-	2,314	38,133	9,543
1984	71,216	4,333	126	8,837	-	1,381	-	3,051	42,451	10,677
1985	88,972	7,231	124	12,272	-	1,578	-	3,616	50,130	13,207

Source: I.L.O., Annual Labour Statistics, various issues.

Table I-24

Unemployment in the E.E.C. (9) (1974-1980)

Year	W. Germany	France	Italy	Holland	Belgium	U.K.	Ireland	Denmark	E.E.C. (9)
1974	582.5	497.7	997.2	134.9	0.057	615.1	67.2	47.9	3,067.0
1975	1,074.2	839.7	1,016.9	195.3	0.264	977.6	96.2	113.5	4,612.0
1976	1,060.3	933.5	1,181.7	210.8	0.456	1,359.4	107.8	118.2	5,239.0
1977	1,030.0	1,071.8	1,381.9	206.9	0.820	1,483.6	106.4	147.0	5,736.0
1978	992.9	1,166.9	1,528.6	205.6	1.166	1,475.0	99.2	169.8	5,973.0
1979	876.1	1,349.9	1,653.4	210.0	1.055	1,390.5	89.6	137.5	6,060.0
1980	888.9	1,450.6	1,776.2	248.0	1.094	1,794.7	101.5	161.5	6,805.0
1974	2.2	2.3	4.8	2.8	3.2	2.4	6.0	2.0	2.9
1975	4.2	3.9	5.3	4.0	5.3	3.8	8.5	4.6	4.3
1976	4.1	4.3	5.6	4.3	6.8	5.3	9.4	4.7	4.9
1977	4.0	4.8	6.4	4.1	7.8	5.7	9.2	5.8	5.3
1978	3.9	5.2	7.1	4.1	8.4	5.7	8.4	6.5	5.5
1979	3.4	6.0	7.5	4.1	8.7	5.3	7.4	5.3	5.5
1980	3.4	6.4	8.0	4.8	9.4	6.9	8.3	6.2	6.2
75/74	+84.4	+68.7	+11.0	+44.8	+67.4	+58.9	+43.2	+13.7	+50.4
76/75	-1.3	+11.0	+7.9	+28.3	+28.3	+39.1	+12.1	+4.1	+13.6
77/76	-2.9	+14.8	+16.9	-1.9	+15.4	+9.1	-1.3	+24.4	+9.5
78/77	-3.6	+8.9	+10.6	-0.6	+8.4	-0.6	-6.8	+15.5	+4.1
79/78	-11.8	+15.7	+8.2	+2.1	+5.5	-5.7	-9.7	-19.0	+1.5
80/79	+1.5	+7.5	+7.4	+18.1	+8.7	+29.1	+13.3	+17.5	+12.3

Sources: a) Eurostat

b) Own calculations.

Annual changes in unemployment rate (+ = increase)
 Unemployed (in 000's)

Table I-25

Unemployment and job vacancies unfilled in W. Germany (1954-1989)

Year	Unemployment in 000's	in %	Vacancies in 000's	Year	Unemployment in 000's	in %	Vacancies in 000's
1954	1,220.6	7.0	-	1972	246.4	1.1	545.8
1955	928.3	5.1	207.0	1973	273.5	1.2	572.0
1956	883.0	3.4	227.0	1974	582.5	2.6	325.4
1957	759.0	2.9	227.0	1975	1,074.2	4.7	236.2
1958	780.0	3.0	226.0	1976	1,060.3	4.6	235.0
1959	540.0	2.1	291.0	1977	1,030.0	4.5	231.2
1960	271.0	1.0	465.0	1978	992.9	4.3	245.6
1961	181.0	0.7	552.0	1979	876.1	3.8	304.0
1962	154.0	0.6	574.0	1980	889.0	3.8	308.4
1963	186.0	0.7	555.0	1981	1,272.0	5.5	207.9
1964	169.0	0.6	609.2	1982	1,833.0	7.5	104.9
1965	147.4	0.6	649.0	1983	2,258.0	9.1	75.8
1966	161.1	0.7	539.8	1984	2,266.0	9.1	87.9
1967	459.5	2.1	302.0	1985	2,304.0	9.3	110.0
1968	323.5	1.5	488.3	1986	2,228.0	9.0	153.9
1969	178.6	0.9	747.0	1987	2,213.2	8.9	171.0
1970	148.8	0.7	794.8	1988	2,216.4	8.7	189.0
1971	185.1	0.8	648.0	1989	2,022.5	7.9	251.0

Sources: a) ILO, "Annual labour statistics", (various issues)

b) OECD, "Main Economic Indicators", (various issues)

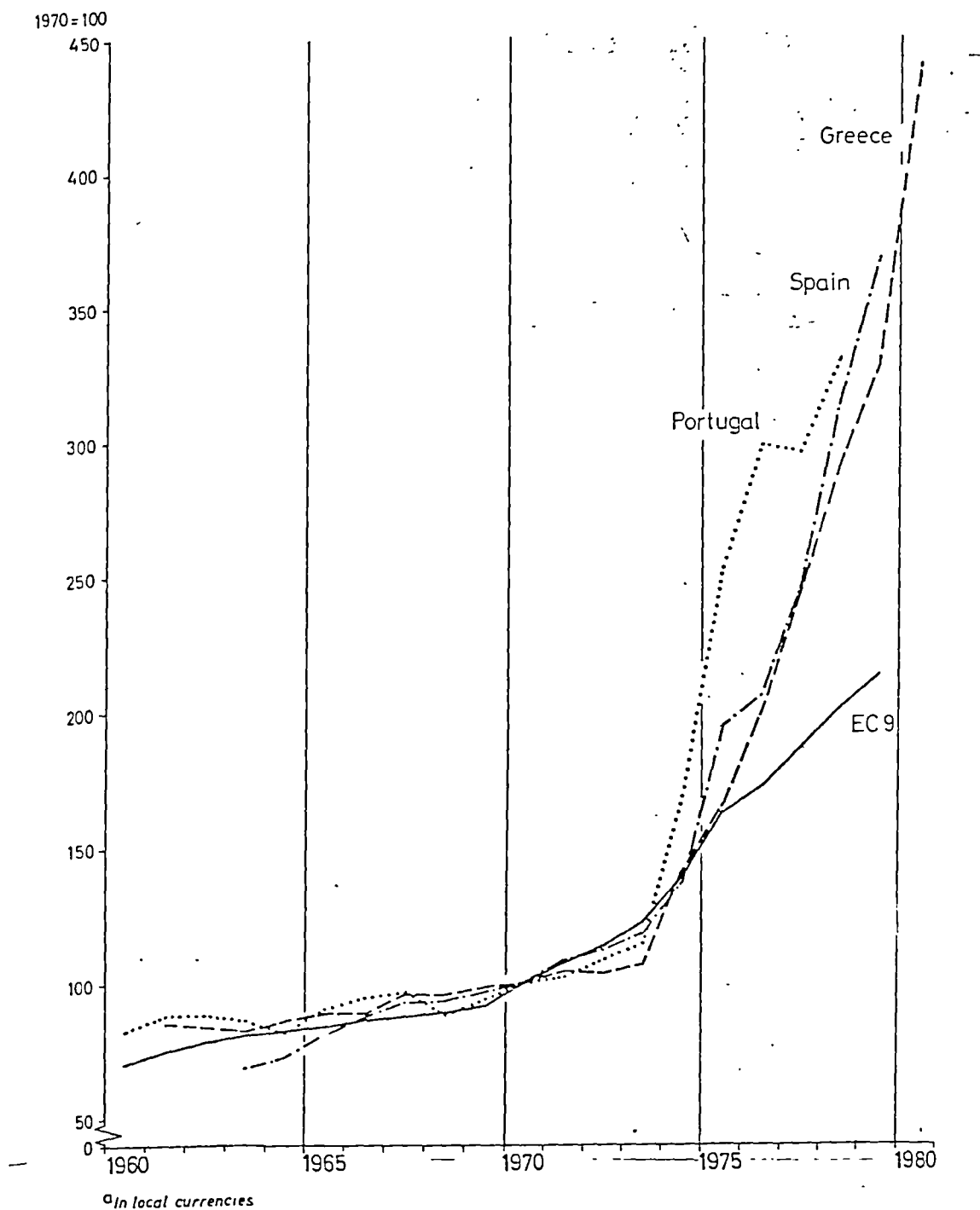
Table I-26: The evolution of hourly wages in manufacturing for Greece, Spain, Portugal and the EEC (9) in the period 1960-80 (1970=100).

Year	Greece			Portugal			Spain			EC ^b	
	wages	unit labour costs	US-\$	wages	unit labour costs	US-\$	wages	unit labour costs	US-\$	wages	unit labour costs
	local currency			local currency			local currency			local currency	US-\$
1960	.	.	83.1	44.7	82.7	83.1	.	.	.	41.9	71.0
1961	47.8	85.5	85.4	50.8	87.7	87.9	.	.	.	45.7	75.0
1962	50.0	84.7	84.6	51.7	88.2	88.6	.	.	.	50.3	80.6
1963	52.8	82.1	82.0	53.8	85.6	86.2	41.2	68.7	80.2	54.5	83.2
1964	58.5	85.7	82.0	51.9	81.3	81.1	47.1	72.8	84.7	59.2	84.5
1965	63.5	80.4	80.5	62.5	90.2	89.9	54.6	81.4	94.5	64.6	86.7
1966	71.5	89.1	89.0	69.2	94.4	94.1	63.7	87.6	102.0	70.0	89.3
1967	79.0	95.9	95.9	72.4	96.0	95.0	73.0	92.4	105.7	74.1	89.6
1968	85.7	95.6	95.5	77.7	88.1	87.7	70.9	93.6	93.7	80.4	87.6
1969	94.4	98.3	98.2	90.2	93.7	93.9	87.9	96.5	92.4	87.4	90.0
1970	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
1971	108.8	104.1	103.9	114.1	102.2	103.9	113.5	108.4	109.1	113.4	111.4
1972	118.7	103.5	103.4	132.6	108.7	115.0	132.3	112.2	121.8	127.7	126.4
1973	138.2	107.1	108.1	155.4	114.6	132.9	158.3	110.4	141.8	146.1	154.6
1974	174.7	141.0	140.8	245.7	169.1	190.8	199.7	136.5	165.0	172.6	171.7
1975	217.8	165.3	139.0	354.3	252.6	203.1	265.3	194.0	236.8	205.1	207.1
1976	280.0	200.1	161.9	442.4	298.9	283.5	344.5	206.2	215.1	231.4	199.9
1977	338.5	214.0	205.9	510.5	295.9	221.3	448.9	246.0	225.9	250.2	221.5
1978	418.4	290.0	241.9	602.2	330.3	215.1	566.5	314.5	206.2	287.3	263.6
1979	504.7	329.3	265.5	.	.	.	690.0	367.3	301.0	322.5	298.4
1980	633.2	438.9	282.6

^a At current prices and exchange rates. ^b Figures are taken from essays in Monthly Labour Review; they include Sweden and exclude Ireland and Luxembourg. Though the methods used in these essays differ somewhat from those of the authors, the results are comparable.

Source: Dinges, 1982, p. 42.

Diagram I-2: Hourly wages in manufacturing for Greece, Spain, Portugal and the EEC (9) in the period 1960-80.



Source: Table I-26.

Table I-27: The evolution of hourly wages in the Greek and W. German manufacturing firms employing more than 10 employees (1960-85).

Year	in drs (1)	In Greece			In W. Germany		(3)-(2)	(3)/(2)
		d(1) in %	in \$ (2)	d(2) in %	in \$ (3)	d(3) in %		
1960	6.69	-	0.25	-	0.63	-	0.38	2.52
1961	7.63	14.05	0.27	8.00	0.73	15.87	0.46	2.70
1962	7.98	4.58	0.27	0.00	0.80	9.58	0.53	2.96
1963	8.42	5.51	0.28	3.70	0.87	8.75	0.59	3.10
1964	9.33	10.80	0.31	10.71	0.94	8.04	0.63	3.03
1965	10.13	8.57	0.34	9.67	1.03	9.57	0.69	3.02
1966	11.40	12.53	0.38	11.76	1.10	6.79	0.72	2.89
1967	12.74	11.75	0.42	10.52	1.15	4.54	0.73	2.73
1968	13.67	7.29	0.46	9.52	1.20	4.34	0.74	2.60
1969	15.06	10.16	0.50	8.69	1.34	11.66	0.84	2.68
1970	15.95	5.90	0.53	6.00	1.63	21.64	1.10	3.07
1971	17.35	8.77	0.58	9.43	1.91	17.17	1.33	3.29
1972	18.94	9.16	0.63	17.24	2.13	11.51	1.50	3.38
1973	22.04	16.36	0.83	15.87	2.58	21.12	1.85	3.53
1974	27.87	26.45	0.92	26.02	3.89	50.77	2.97	4.22
1975	34.74	24.65	1.08	17.39	3.94	1.28	2.86	3.64
1976	44.66	28.55	1.22	12.96	4.11	4.31	2.89	3.36
1977	53.99	20.89	1.48	21.31	4.78	16.30	3.30	3.23
1978	66.74	23.61	1.83	23.64	5.72	19.66	3.89	3.12
1979	80.50	20.61	2.18	19.12	6.68	16.78	4.50	3.06
1980	102.40	27.20	2.36	8.25	7.49	12.12	5.13	3.17
1981	130.25	27.19	2.23	-5.50	5.82	-22.29	3.59	2.61
1982	173.87	33.48	2.50	12.10	5.95	2.23	3.45	2.38
1983	207.56	19.37	2.45	-2.00	5.95	0.00	3.50	2.43
1984	262.21	26.32	2.37	-3.26	5.56	-6.55	3.19	2.34
1985	314.20	19.82	2.31	-2.53	5.29	-4.85	2.98	2.29
1986	354.10	12.69	2.37	2.59	6.18	16.82	3.81	2.61
1987	388.20	9.63	2.96	24.84	18.96	44.98	6.00	3.02

Sources: a) ILO, "Annual labour statistics", (various issues)
b) OECD, "Country surveys", (various issues)
c) I.M.F. "Balance of payments statistics yearbook",
(various issues).
d) Own calculations.

Table I-28: Weekly hours of work in the Greek and German manufacture (1954-1985).

Year	W. Germany (1)	Greece (2)	(1) - (2)
1954	48.7	-	-
1955	48.8	-	-
1956	47.8	-	-
1957	46.4	-	-
1958	45.5	-	-
1959	45.6	44.0	1.6
1960	45.6	44.2	1.4
1961	45.3	44.7	0.6
1962	44.7	44.1	0.6
1963	44.3	43.4	0.9
1964	43.6	43.9	-0.3
1965	44.1	43.8	0.3
1966	43.7	43.3	0.4
1967	42.0	43.6	-1.6
1968	43.0	43.7	-0.7
1969	43.8	43.8	0.0
1970	43.8	44.6	-0.8
1971	43.0	44.1	-1.1
1972	42.7	44.6	-1.9
1973	42.8	43.4	-0.6
1974	41.9	43.8	-1.9
1975	40.4	42.7	-2.3
1976	41.4	41.9	-0.5
1977	41.7	41.0	-0.7
1978	41.6	41.8	-0.2
1979	41.8	41.2	0.6
1980	41.6	40.7	0.9
1981	41.1	39.5	1.6
1982	40.7	38.6	2.1
1983	40.5	38.5	2.0
1984	41.0	38.2	2.8
1985	40.7	39.3	2.4
1986	40.4	39.1	1.3
1987	40.1	39.2	0.9

Sources: (a) ILO, Annual Labour Statistics, various issues.
(b) Own calculations.

P A R T T W O

"THE ECONOMIC EFFECTS OF EMIGRATION BETWEEN GREECE AND THE E.C. COUNTRIES"

C H A P T E R F I V E

" A THEORETICAL APPROACH ON THE ECONOMIC EFFECTS OF EMIGRATION "

A. GENERAL.

A careful look at the existing literature reveals that, as in the case of the causes of international movements of labour, a complete theory on the economic effects of these movements does not exist. This could be explained in a number of ways:

-The first thing one could say is that the effects of migration differ considerably from case to case, which makes the application of a general theoretical framework very difficult. Besides that, much of the existing work is mainly descriptive and the fact that the authors have used different, often implicit theoretical structures does not facilitate the application of a single theoretical framework.

-Second, one has to take into account that migration influences a series of economic variables, either directly or indirectly, but in any case, as one among other factors; this makes the separability of the particular effects of migration very difficult.

-Last but not least, one should keep in mind that most of the relevant literature refers to the effects of migration on the immigration rather than the emigration countries. This could partly be attributed to the relatively recent interest economists have shown for the less developed countries (as most emigration countries are), besides the lack of reliable statistical data in many cases, which discourages potential scholars on the subject.

Even this limited literature though, seems to "suffer" from two main problems; first, most of the existing theoretical approaches on the effects of migration fit in the frameworks of the main schools of economic thought in terms of the analytical tools they use, only to a very limited extent. They could be easier divided into groups according to whether they consider migration beneficial or detrimental to both emigration and immigration countries rather than to Marxists, Neoclassicals, Keynesians etc. It is true, though, that libertarians, taking a (more or less) Neoclassical line of argument stress the benefits from migration and interventionists, taking a Keynesian or a Neomarxist one, the losses but, in analytical terms, one can hardly distinguish them. Second one should keep in mind that migration has turned out to be a political issue both in the emigration and the immigration countries; this has unfortunately led to the appearance of

essays and articles which are distinguished for their sentimentalism and bias rather than their intellectual value.

At this stage two points should be made: the first one is that the precise effects of a certain emigration process, largely depend on its characteristics, namely the numbers, the age and the skill level of the emigrants. They also depend on the structural characteristics of the emigration and immigration countries and hence it may be difficult to generalise, unless if one takes the Neoclassical approach. The second one is that the effects of emigration depend on the economic conjuncture on the national as well as international level. Another point to be taken into account is that the effects of an initial temporary migration may differ considerably from the effects of an eventual permanent one. Since the migratory flow from Greece to the E.C. countries has been of a temporary nature, (chapter three) the analysis will mainly refer to the possible effects of a temporary migratory flow.

As in the case of the theory on the causes of migration (chapter I) I will try to get around this lack of a complete theory on the effects of migration by "borrowing" theoretical elements which could be applicable to migration. For example, the theoretical approach on the determinants of emigrants remittances will be based on the assumption that remittances represent a transfer of money which can be saved (therefore a form of savings in a country other than the one emigrants are employed in, their country of origin).

As we will see in the following sections of this chapter, as well as in chapters six seven and eight, there are many aspects to be taken into account when investigating the macroeconomic effects of a particular migration. In essence, such an exhaustive investigation should include the impact of migration on all the macroeconomic variables of the countries involved (labour exporting and labour importing ones), in the short-run as well as the long-run period plus aspects such as the demographic and regional dimension of migration. Interesting and challenging as this may seem, it is clearly beyond the scope of a single thesis given its time and word limits. Having to choose therefore, I decided to investigate as comprehensively and deeply as I could one of the aspects related to the effects of migration, namely remittances. For the sake of completeness though, and since the analysis of the ninth chapter will require an overall

evaluation of the effects of migration between Greece and the other E.C. countries, I had to take into account (even briefly) the other effects as well. I therefore, consciously decided to sacrifice depth for breadth as far as the other (besides remittances) effects of migration between Greece and the other E.C. countries are concerned, leaving this task for other analysts or even myself in the future.

Given this, the methodology to be followed in this chapter will be as follows: First, it should be made clear that the effects of emigration can be examined both on the micro and macroeconomic level. The microeconomic level examines the individual decision of a person to emigrate and the consequences of this decision for that person. The examination of the effects of emigration for the emigration and the immigration countries in total takes place on the macro economic level. The latter will be the priority in the following paragraphs, although references will be made to the former one as well. Second, in terms of structure of the contents, the division most authors seem to agree on, short-run and long-run economic effects, will be followed. Remittances will be dealt with separately (although they could be included in the short-run effects). Third, the theoretical discussion will be organised in terms of supply-side and then demand-side factors although there is clearly an over-lap between them.

Before further proceeding, I should make clear, at this point, the distinction of short and long-run period which I will follow throughout this chapter as well as chapters 6-8. For the particular case of the postwar intra-European emigration, short-run will refer to the period in which the whole process acceleration of migration-deceleration of migration-acceleration of repatriation evolved, that is a fifteen, more or less, year period (1960-74). In other words as long (or simply longer) run effects I will treat the implications of migration which became obvious after the above process was completed.

B. REMITTANCES, THEIR IMPACT ON GROWTH AND DEVELOPMENT AND THE BALANCE OF PAYMENTS IMPLICATIONS OF MIGRATION.

1. General.

Emigrants remittances represent one of the few (if not the only) factors all authors accept as necessary to be examined, as far as the economic effects of migration are concerned. In almost all migratory flows in world history, immigrants have tended to remit money to their countries of origin, especially when they were not accompanied by their families and relatives.

To the emigration countries, remittances represent economic support for those who receive them or savings sent or brought upon return; on the other hand, remittances could be seen as a simple intra-family transfer, different from the support working members of a family provide to the non-working ones only because they are happening across national boundaries (Glitsos, 1988, pp. 524-5).

Economic theory has, to a very large extent, viewed remittances as a by product of migration, emphasising their impact on the balance of payments of emigration and immigration countries and neglecting their determinants (Straubhaar, 1986, p. 728). Empirical evidence suggests that immigrants are usually willing to work overtime and live at a relatively (to the indigenous population) lower standard of living because their specific goal is to maximise their remittances in a relatively short period of time (Kindleberger, 1965, p. 237, Castles and Kosack, 1985, pp. 93-8).

In the conventional balance of payments analysis, remittances are treated as a gift or so-called unilateral transfers. This treatment though, could be subject to some criticism, especially when the human capital element is brought in the analysis. The families of the emigrants are deprived of the financial support he (or she) would offer them had he not emigrated, assuming that emigrants would have been employed; although these people could only be considered as capital exporters if the human capital approach is adopted, their claims for some income are fair enough, especially since "...workers do not go abroad in large numbers to escape from their families, but rather to be able to provide more for them..." (Blitz, 1977, p. 499).

By using a human-capital approach, one could regard remittances as

the return on foreign investment. The question which arises though is who receives the return of this investment. An emigrant may remit money home in order to (partially or even entirely) finance the consumption of his (or her) family (Granier and Marciano, 1975, pp. 161-2). In case their families join them abroad or when they get married abroad, their remittances are usually considerably reduced or even stopped (Blitz, 1977 p. 498). Evidence on intra-European migration in the early 1960s suggested that the average migrant "...remits in a pattern which is low during the first months, as he becomes accustomed to foreign patterns of production and consumption and picks up to remain high for years. If the man or family returns, the remittances, of course, stop altogether. But if he remains abroad, they slowly decline and probably cease after half a generation or more, to revive again sporadically in times of compassionate need at home" (Kindleberger, 1965, pp. 237-41).

Since immigrants do not spend the money they remit on consumption, remittances are measured as a part of saving and therefore could be examined in the context of a savings function. On the other hand though, they may simply mean an individual's preference to spend on consumption, save or even speculate on these amounts of money in his country of origin rather than in the immigration country. There are two things to be found out therefore: the factors that determine an individual's decision to remit and, secondly, the motives and the aims of those remitting which determine, to a great extent, the economic impact of remittances.

A series of factors may influence the volume of emigrants' remittances. An individual working in an immigration country has basically three options: to accumulate savings, to purchase consumer goods and to purchase capital goods. In macroeconomic terms, saving is merely a precursor to the two other options. Saving represents postponed consumption or future investment (Straubhaar, 1985, p. 88). From a purely macroeconomic point of view, especially in the case of temporary emigration, one could assume that decisions on remittances are taken based on life-cycle considerations. There are two main kinds of flows of remittances to the emigration countries: i) remittances for the subsistence of the emigrants' families (consumption purposes) and ii) transfers of savings for hoarding (investment purposes). This heterogeneity of remittances as to their purpose differentiates the factors that determine their volume and the frequency of inflow of the

exchange. Remittances which finance consumption are determined by factors related to the family of the emigrant such as its level of income, the number of children, the average life standard in the emigration country, the exchange rate and the inflation rate (Glitsos N., 1987, p. 88). Remittances destined for savings in the emigration country are determined by the emigrants level of savings in the immigration country, the relative interest rates in the two countries, the rate of return of certain investments (e.g. constructions) in the emigration country, the exchange rate, the security of savings in the emigration country etc. (op. cit.). Generally speaking, the aggregate level of remittances to an emigration country is usually determined by factors such the number of emigrants, their income in the immigration country, their propensity to consume and to save, the situation of the labour market in the immigration countries, the incentives provided by the emigration ones, the exchange rates etc. Empirical tests (Duysan, 1985, Glitsos, 1987 and 1988, Straubhaar, 1986) have verified that remittances are usually, determined by such factors but, at the same time, are influenced by a series of non-economic ones such as their family status.

At this point, a distinction relative to the role of remittances on the measurement of GDP could be made: The permanent migrant contributes nothing to the GDP of his country of origin; it is the immigration country which benefits from his employment in terms of GDP. His remittances are, therefore, a transfer. The temporary migrant, on the other hand, contributes to the GNP of the emigration rather than the immigration country; his remittances, therefore, are net earnings, (and therefore a credit in the balance of payments as services exported) derived from his gross earnings (his income) less his subsistence which can be regarded as an import of food and services (Kindleberger, 1967).

2. A Theoretical Approach on the Effects of Remittances.

Remittances can contribute both to foreign exchange earnings and to capital formation. As a source of foreign exchange, they are preferable to the exports of goods, in the sense that they imply no imports of inputs (raw materials and equipment) as most manufacturing goods do. Following a simple Keynesian model we could say that the remittance-multiplier is higher than the export-multiplier (Kindleberger, 1965 states that it is lower but this is probably a

printing error) since there are no withdrawals included in the denominator, if the emigrant was unemployed before leaving; besides that, one could argue that remittances may not stimulate imports since they will, to a certain extent, be spent for consumption by the spouses of the emigrants which may have a limited taste for foreign articles of consumption since they reside at home (1).

In any case, the impact of remittances depends on their size and use and this is the main reason why many emigration countries (Turkey probably being the best example) adopt policy measures aiming at their maximisation as well as their more beneficial (for the national economy) use (Paine, 1974, pp. 151-3 and Straubhaar, 1986, p. 728).

Perhaps the most obvious consequence of remittances is the one concerning the balance of payments of both groups of countries. Apart from that, they may influence a series of other macroeconomic variables. If, for example, they contribute to an increase of savings available for capital formation, they may stimulate an increase of the productive capacity, employment and output growth (Kirwan, Holden, 1986, pp. 52-5 and Rivera-Batiz, 1986, pp. 3-19). If spent on imported consumer goods because of domestic supply limitations, they will simply cause an increase of level and imports (MacMillen, 1982, pp. 262-6).

The inflow of remittances could be seen as representing a net benefit for the emigration countries, especially as far as their balance of payments is concerned, since it represents a unilateral transfer, very

(1) A simple sample models has been constructed in order to modulate the assumption on the relative size of the two multipliers: In an economy with a government and a foreign sector (including autonomous exports, imports and inflows of remittances), GDP for a certain year is given by the following equation:

$Y = C + I + G + (X - M) + \text{Rem}$ in addition to that:
 $C = c + cY_d$, $Y_d = (Y - T) = (Y - tY)$, $I = I$, $G = G$, $X = X$, $\text{Rem} = \text{Rem}_1$, $M = m_2 M$ (indicating the import content of exports). The reduced form of the model will be:

$$Y = \frac{\bar{c} + I + G + X(1 - m_2) + \text{Rem}}{(1 - c + ct + m_1)}$$

in such a case the remittances (k_1) and exports (k_2) multipliers will be equal to: $k_1 = \Delta Y / \Delta \text{Rem} = 1 / (1 - c + ct + m_1)$

$$k_2 = \Delta Y / \Delta X = (1 - m_2) / (1 - c + ct + m_1)$$

since m_2 is a positive number, (we have assumed that exports have a positive import content), $k_1 > k_2$.

much alike, one could say, to the development aid rich countries provide to the poorer ones. By taking this point and therefore treating remittances as akin to foreign aid, one could use the "dual-gap model" in order to investigate the impact of remittances on economic growth and development as well as the balance of payments of the emigration countries.

According to the "dual-gap model" (for an extensive analysis see Thirlwall, 1989, pp. 294-316), countries, especially those in the pre take-off stage of development (as most of the emigration countries) are faced with two gaps; the first one is the savings-investment gap (caused by inadequate savings for the financing of the, necessary for economic development, investment); the second one is the foreign exchange gap (that is an excess of imports over exports) which follows the first one. Since growth requires investment goods which may be produced domestically or imported, domestic provision requires savings and foreign provision requires foreign exchange. If the investment goods necessary for growth can only be provided from abroad, then growth requires foreign exchange in order to be sustained. Foreign aid (remittances) can provide this foreign exchange by relaxing the balance of payments constraint. The crucial question to be answered though is whether this availability of foreign exchange and therefore imported investment goods will be able to sustain economic growth and development. According to the pioneering studies of dual-gap analysis by Adelman, Chenery and collaborators (1966) (who in fact studied the application of this model in the case of Greece among other countries), foreign aid will contribute to the economic development of the receiving country provided that this country will manage to use this aid in order to finance investment which will enable it to produce exportable goods or investment goods which will substitute imports. In other words, since the inflow of foreign exchange due to foreign aid (or remittances) will apply for a certain period of time, the receiving country will have to shift to the production of exportables or (and) reduce the import content of its production which will bridge the foreign exchange gap in the medium and long-run period, that is after the inflow of exchange in the form of foreign aid (remittances) ends. Otherwise this inflow of foreign exchange will bridge the two gaps only temporarily and cause a further increase of the foreign exchange gap since growth will be based on increasing imports.

In a more comprehensive way of analysis foreign aid has two functions as far as economic development is concerned: The first function of aid (remittances) is to *"facilitate economic and social transformation by overcoming temporary shortages in specific human and material resources, by promoting strategic activities, by inducing and facilitating critical governmental policies, and by providing a certain amount of working capital or margin of resources for carrying out programs involving a shift in the structure of the economy..."* (Mikessell, 1968, pp. 258-9). The second function of aid (remittances) is *"...the employment of external capital for supplementing domestic resources for achieving a higher level of investment and rate of growth in output..."* (op. cit).

In the context of this theoretical approach remittances are examined as a potential supply factor for economic growth in the sense that they may provide resources (in foreign exchange) for the financing of investment in the emigration countries. The main problem in "borrowing" this theory, which was constructed for foreign aid, and using it for remittances, is the fact that foreign aid is usually administered by the governments of the receiving countries, while remittances are usually administered by the persons who receive them, that is the relatives of the emigrants. It is therefore easier to channel foreign exchange from foreign aid to the activities described above rather than using remittances for this purpose. This reservation is related to the fact that, if remittances are spent on consumption they can hardly contribute to development through the process described above. Furthermore, they could have an adverse effect on the balance of payments if they finance the purchase of imported goods (the so called boomerang effect, that is, the increase of imports of the emigration country due to the increase in disposable income caused by the inflow of remittances).

Even if remittances contribute to the financing of investment though, it is not certain whether they will contribute to economic development through the process described in the dual-gap model (one should keep in mind that even in the context of the dual-gap model money can be channeled in the "wrong" direction). The investments remittances have to finance according to this model are specific in terms of their contribution both to capital formation and the production of goods which will enable the receiving country to achieve self-sustained

growth by expanding its exports and domestically producing investment goods which were imported previously. In this context, investment in housing or manufacturing sectors producing goods for the internal market may bridge both gaps temporarily but widen the foreign exchange gap in the medium and long-run (Adelman and Chenery, 1966).

On the demand-side now, the following points could be made:

-The inflow of remittances may cause an increase in imports in the emigration country. The size of this increase will depend on whether the propensity to spend on imports out of remittances is higher than the corresponding one for the indigenous income; if this is the case, (since it may as well be lower than or, equal to the MPC for the indigenous income) one should expect a rise of imports as a percentage of GDP. This will also be the case if remittances finance (to a great extent) the purchase of goods with a high (above average) import content or if the people not receiving remittances imitate the consumption pattern of those who do (Paine, 1974, pp. 43-44). On the other hand exports to the immigration country may increase if migrants persist in demanding consumer goods produced in their country of origin. Besides that migrants may act as "ambassadors" of their home country causing an increase of tourist receipts. Another indirect effect of migration on the balance of payments (the balance of trade in particular) of both groups of countries (which is not taken into consideration very often) is that immigration countries may manage to promote their exports, including exports to the emigration countries, simply because the import of cheap labour from the latter presses the labour cost down, thus, increasing the competitiveness of the exportables the former produce (Paine, 1974, pp. 43-4).

-If the above is true, emigration may influence the future of both the export orientated and the import substituting industries in the emigration country. The increase in imports caused by the boomerang effect of remittances may displace the domestically produced goods. Assuming that the emigration country in question is, at that time, trying to develop its manufacturing and tries to protect it until it acquires a competitive edge (that is by taking "infant industry" considerations into account, one could say that this displacement of domestic goods by imported ones may prove to be a negative factor for the industrial development of the emigration country if it is substantial. Even if remittances contribute to the finance of

investment in the "infant industry", in reality this may prove to be a loss of money if there is no room for the products of this industry in the foreign or the domestic market.

-Another consideration is that migration may also affect imports, exports and the development of infant industries, through the exchange rate. This factor was not taken into account in the period between the end of World War II and the early 1970s, because nominal exchange rates were relatively stable (although subject to adjustment) for most immigration and emigration countries under the Bretton Woods system; even in that period though, remittances must have had some impact on the real exchange rates by changing the balance of payments pattern and influencing inflation rates. In a system of "dirty" floating (like the one which prevailed for most countries after the collapse of the Bretton Woods system), an emigration country will have to maintain a not substantially over valued exchange rate for its currency vis a vis the one of the immigration country in order to attract remittances (although one could express reservations of course on how a country can determine its own exchange rate in such a system). Otherwise emigrants may choose to deposit in a bank abroad (Paine, 1974, pp. 43-44). In such a case, the policy makers in the emigration country will either have to set an exchange rate which attracts remittances at the cost of loss of competitiveness for the domestic goods or operate on a dual or even multiple exchange rate system. Under a system of floating exchange rates though, (and this applies to "dirty" floating to a great extent), characterised by the existence of speculation, both alternatives imply a high risk for the national currency because not only will it be vulnerable to a deterioration of the balance of trade but to pressures caused by speculation as well. The final outcome of the whole mechanism may as well be a considerable *de facto* loss of value for the emigration country's currency.

-Finally, remittances can harm the exports of the emigration country by leading to a "higher" value for the currency of this country, which would make its exports less competitive in the international markets.

3. Some Further Theoretical Considerations.

The inflow of remittances is, in principle, a positive factor for the balance of payments of emigration countries since they can finance short-run deficits in the balance of trade; dependence on remittances

as a major source of foreign exchange, though, may have several additional medium and long-run implications. First, the size of remittances (as well as the size of the other invisible receipts) may witness very high fluctuations (in Turkey during the early 1970s in particular, they reached a twenty four per cent drop in one year and a seventy two percent increase in another year, (MacMillen, 1982, pp. 264-265) the worst part of the story being that emigration countries can do very little or even nothing to reduce the size of these fluctuations or remittances in general. These fluctuations "...increase the difficulties of demand management in the short run and uncertainty does not improve the basis for longer term macro economic planning" (MacMillen, 1982, pp. 264-266). Secondly, the fact that remittances relieve the balance of payments constraint in the short-run, could cause a delay or even a postponement of measures and policies desirable and necessary for economic development, although there is no necessary link. In many cases they hide the need for policies aiming at the restructuring of the economy in general and industry in particular, since they (appear to) carry out one of the main tasks of industry, namely the provision of foreign exchange, emigration taking care of the crucial task of providing employment for the native population.

The analysis so far should in no case lead to definitely negative conclusions as far as the potential effects of remittances for the emigration countries are concerned. In principle emigration countries may benefit from them, depending on whether they use them to expand the productive capacities of their economies, provided of course that the volume of the remittances is somehow guaranteed. The fact that there is very little (if any) empirical evidence of such a benefit for the emigration countries could be attributed to the inability of these countries to influence the volume and fluctuations of remittances and use them in an efficient way.

We should now consider remittances and the balance of payments effects of migration for the immigration countries. Remittances clearly represent an outflow of exchange to the emigration countries and could, therefore, be considered as a negative factor for the balance of payments of the immigration countries, similar to the one of capital outflow.

As far as the impact of immigration on the trade balance is concerned, the import side is fairly straightforward; for each of the

major categories of expenditure, (spending on consumers' goods, on government goods and services and on investment items) a proportion is spent on imported goods. These imported goods may be either final goods, bought directly by their ultimate users or, intermediate goods used in the production of final ones.

If the import content of each category of immigrant expenditure is the same as for the remainder of the population, then generally speaking, the impact of immigration on imports depends on factors such as:

- the impact of their expenditure for consumption on imports depends on which part of their income they spent on consumption (here again their propensity to remit is of great importance) and on their consumption pattern (domestically produced or imported goods). Immigrants should be expected to adopt the consumption patterns of the lower income groups of the population, mainly because they remit a great part of their income and have to live on a fairly low remainder.

- Very few immigrants and, especially temporary ones could be seen as potential investors (especially in non-property assets) in the immigration country mainly because of their ignorance of the conditions; this expenditure category therefore, should not be seriously taken into consideration in the case of temporary immigration, at least not in a direct way. It could be taken into consideration, though, as far as the stimulative effect of immigration on investment by native residents is concerned. In other words, immigration may stimulate high import content investment by native investors and therefore influence imports in an indirect way.

From the analysis so far it becomes clear that "...more than any other effect, an assessment of the immigrant impact on the balance of payments is essentially impressionistic..." (Jones, and Smith, 1970, pp. 156-8). One may take into account all the necessary special considerations and, in fact, feed them into the calculation, but, in many cases they consist of the end products of other assessments as the inflationary and productivity impact of immigration.

As far as exports are concerned, we could say that, whether or not the arrival of immigrants has a direct effect on the level of exports basically depends on whether the demand for goods produced and exported by the immigration country can be met without the additional immigrant labour. If labour shortages have been a factor constraining the

production of these goods, then obviously immigration will facilitate a boost in exports. This will be particularly true, for those sectors which in the absence of immigration would face labour shortages leading to wage increases at the cost of falling international competitiveness though. Although quantifying this effect is difficult, in fact possible only in the context of a full model of the economy of an immigration country, it should certainly be taken into account when discussing the effects of immigration on the balance of payments.

C. OTHER SHORT-RUN ECONOMIC EFFECTS OF MIGRATION.

Although emigration may involve individual gains and losses for the emigrants, the analysis of this section will concentrate on the short-run costs and benefits of migration (besides remittances) for the economies of the labour exporting and labour importing countries.

1. The Effects on the Labour Market and Wages.

Migration of workers is, first of all, a factor directly influencing the supply of labour both for emigration and immigration countries. For the emigration countries in particular, net emigration, besides directly reducing the labour supply, reduces it disproportionately since it mainly refers to particular groups of the labour force (Bohning, 1975, p. 261). As a result, the unemployment and the underemployment rate in the emigration countries are reduced after emigration, at least in the short run. This reduction, of course, depends on the size of emigration relatively to the size of the labour force of those countries. We can therefore examine emigration as a mechanism blunting (in the short-run) the pressures imposed by unemployment in the emigration countries, (Coale, 1976) or, in other words a "safety valve" for unemployment.

On the other hand, the inflow of labour for the immigration countries empowers them to overcome labour shortages and to preserve relatively (to what they would have been had emigration not occurred) low wage levels. Furthermore if these countries can directly control the number of immigrants (which was the case for West. Germany, but not for the U.K. which now sets upper limits), this simply means that they may have an additional tool for the short and medium term planning of the economy, at least as far as labour supply is concerned. This scheme

operates when migration takes place from relatively overpopulated countries to relatively under populated ones (from high unemployment and low employment opportunity countries to ones witnessing lower unemployment rates and higher employment opportunities) and only in the short-run.

According to Kindleberger (1967, p. 200), emigration may lower unemployment and underemployment in the emigration countries, while the level of production is unaffected. This could be true under several strict assumptions (zero or even negative marginal labour productivity in the emigration country prior to emigration and negligible contribution of the emigrants in aggregate demand). These assumptions are necessary in order to accept that the departure of emigrants does not affect the level of output in the emigration country. It is quite obvious that this analysis is mainly based on the Lewis model discussed in chapter one; the zero marginal productivity hypothesis may seem quite strong, especially when discussing the case of a massive emigratory flow. A very low (close to zero but still positive) marginal productivity assumption for the emigrants seems to be more realistic; under this assumption one could rephrase the conclusion in the beginning of the paragraph as follows: emigration will lower unemployment and underemployment in the emigration country at the possible cost of a relatively low fall in the level of production.

Assuming that migration is not accompanied by a considerable increase of the labour supply in the emigration country and a considerable fall of the domestic labour supply in the immigration one, one could say that it causes a shift of the short-term aggregate supply of labour curve to the left (labour supply measured in person-hours) for the emigration countries. and, a shift of the short-term supply of labour curve to the right in the immigration ones (Kindleberger, 1967, p. 200). Under such conditions and, provided no (Keynesian) wage rigidities exist, one could expect considerable implications (a downward pressure) for the real wage rate in the immigration country; one could also expect an upward pressure on real wages in the emigration country (op. cit.).

Following a Neoclassical way of analysis and, using a general equilibrium model, Quibria (1989) came up with the conclusion that under certain circumstances emigration may cause a fall instead of an increase in real wages in the emigration countries. This approach, is

in accordance with the conclusion that an increase in real wages should be expected in the case of unskilled labour emigration. The emigration of people endowed with physical or human capital though, could imply a withdrawal of capital that exceeds in proportional terms the outflow of labour, leading to a fall of the economy's capital-labour ratio and thus, of real wage.

For the immigration countries now, the size of the impact of immigration on real wages seems to depend on the length of stay of the immigrants (temporary or permanent immigration). Clearly, a short-stay immigration has temporary (if any) effects on the labour supply and therefore the real wage rate, compared with long-stay or permanent immigration. It can also depend on whether immigration is regulated or not. The overall effect on labour supply will depend on whether indigenous labour will respond to immigration and in what way. Temporary immigrants could prove to be very sensitive to wage increases (both in terms of their geographical mobility and supply of weekly hours of work), probably more sensitive than indigenous workers and certainly more sensitive than permanent immigrants, especially if they aim at maximising their income (and probably remittances) before repatriation in a limited period of time (especially if immigration is regulated in terms of their length of stay). On the other hand though, income maximisation may imply work as many hours as possible; if this is the case, one may as well assume an elasticity equal to zero. Regulating immigration can also make immigrants more mobile both geographically and professionally; if immigrants are hired on a relatively short-term contract basis and can only prolong their stay by getting a job in another firm or else be expelled, (as was the case in West Germany but not in the U.K.) they will have to be very mobile, at least more mobile than indigenous workers especially if indigenous workers do not respond to immigrants in a competitive way.

In many cases and as far as the impact of emigration on the labour market is concerned the following error is made by some authors (e.g. OECD): the emigration of a certain number of people is considered as an equal fall in the number of unemployed and underemployed. This is an oversimplification, the error being that it is not sure that those who emigrate were accounted for in the labour force of their country of origin for two reasons:

-A certain part of those who emigrate are relatives of the emigrant

workers (family emigration); these people were not active before emigrating, the possible exception being those involved (even on a part-time basis) in a family type agricultural production (organised on a non-capitalist basis) as was the case for most migrants from the Mediterranean countries. Even in that case though, employment statistics do not consider these people as employed. In a sense, it is not at all certain whether these people will be economically active after emigrating. This has very often been the case with the postwar intra-European emigration since the late 1960s (Bohning, 1975).

b) A part of the emigrants were not active in their country of origin but they become so in the immigration countries (e.g. women) (Paine, 1974, p. 39). The validity of this argument, of course, depends on the definition of economically active (e.g. should one include housework in economic activity, underemployment etc?)

It is also argued that some of the dependents of the emigrants in the home country will cease to work (or look for work) because they receive the remittances. (op. cit.)

2. The Impact on Income and GDP Growth.

In the short-run migration can increase the per capita income in the emigration countries and correspondingly reduce it in the immigration ones. This conclusion which can be derived from the evolution of the ratio total income / total population (the denominator changes in both countries) is surprisingly extended by several economists (Mishan and Needleman 1966, Rodriguez 1975) for the long-run period too. This kind of analysis, though, is strictly static in nature, it is based on the assumption of similar birth rates for the two groups of countries and does not take into account the fact that migration will surely affect total income and the capital formation in both countries, through the changes in aggregate demand. Even if we accept that the emigrants' income is close to the subsistence level before migrating, it is certain that their departure will affect aggregate demand, at least as far as consumption is concerned. Furthermore their employment abroad will supply them an income, part of which may be remitted in the homeland (Grubel and Scott, 1966, Grubel 1981).

Migration implies a transfer of a factor of production from one country to another. Following a supply-side approach to economic growth, one could say that the increase of labour supply in a growing

economy where capital formation leaves the capital-labour ratio almost unaffected. As a result, profits remain high and growth is continued. The defenders of this argument (Maddison (1977), Kindleberger (1967)) do not claim that abundant labour can initiate growth, but once the dynamic process has started, whether this process will continue or will be thrown into reverse, depends upon labour supply being available. Kaldor in particular, assuming that a pool of labour was available, emphasized the significance of labour absorption by manufacturing (the powerful engine of growth), partly because of its forward and backward linkage effects, but more important, because, in line with Verdoorn's law, it is in this sector that economies of scale are most pronounced and that productivity grows faster the faster the growth rate of output (Verdoorn, 1951, Boltho 1982).

The impact of emigration on the GDP of the emigration countries could be examined in a context including both supply and demand-side approaches to economic growth.

The side of the demand covers the fall in consumption due to the decrease of the population caused by emigration, in contradiction to the increase of consumption due to the inflow of remittances. (Kindleberger, 1967, p. 241) Here the final outcome depends on the nature of who emigrates; if the people who emigrate had a very low income before emigrating (unemployed or underemployed), the fall in aggregate demand after their departure will be small. (Friendlander, 1965. p. 31) On the other hand, the remittances will cause an increase of the national disposable income (depending on their size of course); this will probably lead to an increase in aggregate demand, especially if a considerable part of remittances is spent (OECD, 1979).

The supply side refers to the production foregone due to the reduction of the labour force after emigration and the impact on capital formation (Kindleberger, 1967, p. 243). Again the final outcome depends on who emigrates. Emigration will cause a fall in production only in the case when the labour reserves of the emigration country fail to fill the gaps caused by the departure of the emigrants. (Zolotas, 1966, p. 13)

The simultaneous analysis of the demand and supply sides brings up another question; the inflow of remittances, especially if they are greater than the fall in consumption caused by emigration, will increase aggregate demand in money terms.

The contribution of the immigrants to the economic growth of the immigration countries consists of the coverage of labour shortages. Generally speaking, and "...unless the economy is prone to extremely perverse effects..." (Jones and Smith, 1970, p. 127), immigration, by adding to the country's labour resources, will potentially increase total output. What is less certain however, is whether or not immigration tends to raise or lower per capita output and standards in the immigration countries. The impact of immigration on production and per capita income can take two forms:

-The first one is the "direct production effect" (Macmillen, 1982, p. 246). Assuming an economy at full employment and no aggregate demand problems in the short-run. In such an economy, the increase of the labour force due to immigration would cause production to rise (Shlaim and Yannopoulos , 1976, pp. 100-109). This is the direct production effect. According to this model the direct production effect will be the greater if total labour productivity increases either due to induced investment or simply because immigrants are more productive than the native labour force (Mishan and Needleman, 1968, pp. 129-30).

-The second one is the "instantaneous welfare effect" (MacMillen, op. cit.). It has already been argued that the inflow of immigrants suppresses wages and redistributes income in favour of capital, through increasing profits. This, according to Shlaim and Yannopoulos (1976) causes an increase in investment, GDP and local capitalists are the ones to enjoy this increase . In fact, none of the increase in output resulting from immigration accrues to the indigenous labour force. The increase in labour supply lowers the general wage rate below what it would have been otherwise; this fall simply means additional profits for the capitalists in the immigration country. In other words (since this analysis assumes that there are no multinationals and therefore capitalists are indigenous) the income of the indigenous population rises. This is the "instantaneous welfare effect"; it's size depends on the capital stock owned by foreigners. The higher the proportion of capital owned by foreigners, the smaller the size of this effect. There is a series of reservations one could express in relation to this analysis. First, the redistribution of income caused by the wage suppression effect of immigration, reduces consumer demand and lowers investment. Therefore the "instantaneous welfare effect" analysis is somehow based on Say's law (supply creating its own demand). Second, it

is based on the (purely Neoclassical) assumption of real wage downward flexibility. Clearly, if these two assumptions are not valid, the whole model collapses.

The increase in returns to capital used to generate output growth with immigrants plus the redistribution of income from wage earners to capitalists will be very helpful in the analysis of the long-run implications of immigration, as well.

Both the "direct production effect" and the "instantaneous welfare" one are purely static in nature. Static in this case is used in a special sense to denote the absence of any economies of scale and any (exogenously determined) time related technological change or progress element in the production function (Jones and Smith, 1970, p. 128). Under these assumptions, and in a theoretical framework in line with Say's law, output will change only as a result of changes in the inputs of capital and labour.

In such a case, the impact of immigration on output and per capita output could be examined in two extreme situations:

- a) immigrants are employed in combination with the existing stock of capital, implying a fall in the capital per worker;
- b) there is a proportionate rise in the stock of industrial capital in order to maintain the previous production method (or, in other words, the level of capital per worker) (Jones and Smith, 1970, p. 129). The impact of immigration on national productivity depends on the nature of the consequent changes in capital per worker.

3. Impact on Prices and Income Distribution.

The discussion about the relationship between migration and the path of inflation in the emigration and immigration countries is of particular interest and, at the same time, of particular complexity, since it depends on the theory of inflation employed. Migration may influence the price level and the rate of its change in more than one ways; in particular the impact of migration on prices may originate from the changes it implies on the labour markets of both groups of countries. Besides that, remittances may have an impact on prices through the changes in demand they may imply as well as through changes in the money supply. Finally migration may affect the price level through the changes in total output and aggregate demand it implies.

In particular and, as far as the immigration countries are concerned,

assuming no downward wage rigidity, the increase in the supply of labour may cause a downward pressure on the real wage level; even when the latter increases, however, it may fall short of the increase of labour productivity (Kindleberger, 1967). This is usually the case in the immigration countries especially due to the limited unionisation and bargaining power of the immigrants. Exactly the opposite may be true in the emigration countries, where the decrease in labour supply may result in a wage increase if the emigrants were employed before leaving, which would not have occurred without immigration.

The deflationary impact of immigration through the avoiding of considerable wage increases labour shortages could have caused, needs further consideration. First of all, it must be made clear that it is based on a Phillips curve way of thinking; it is surely based on the idea of a downward sloping Phillips curve or, in other words a trade off between unemployment and wage (price) increases. In the case of an inelastic Phillips curve, the impact of migration on price increases could be minimal (a vertical Phillips curve) or even zero (a horizontal Phillips curve).

Provided that the aforementioned assumptions on the increased mobility of the immigrant labour force are valid, the impact of immigration on inflation could be examined as follows: Immigration may act as a substitute for interregional (internal) movements of labour; it therefore tends to eliminate (or at least considerably reduce) interregional differences in labour market shortages. As a result, the national unemployment-wage relationship will tend to change, reducing demand pressures (this of course depends on the immigrants' MPC), although national unemployment may prove to be a poor measure of the available pool of labour; besides that, immigrant workers are more mobile than native workers and therefore more "helpful" in reducing imbalances in the regional labour markets (Shlaim and Yannopoulos, p. 111). Mishan and Needleman, (1968) though, argue that immigration may fail to remove bottlenecks from certain sectors, because a preponderance of immigrant workers in these sectors makes them less attractive for the native labour force, although empirical evidence (Castles and Kosack, 1985, pp. 48-50) suggests that migration was to the areas already considered inferior; as a result, the supply of native labourers to these sectors may fall. Even if this is the case, though, the overall impact should be expected to be a deflationary one:

by postponing the need for wage adjustments immigration tends to reduce the risk of the inflationary effects such adjustments may generate.

As far as the possible appearance of demand pull inflation in relation to migration is concerned, the analysis is based on the degree of variation of total supply and total demand in the emigration and immigration countries. It is plausible to expect a simultaneous (but not necessarily of equal size) increase of total supply and demand in the immigration countries; whether inflation rates increase however depends on whether demand or supply will increase the most as a result of migration (Bohning, 1975). Here again, immigrants' MPC may prove a very important factor to be taken into account, although the other components of demand should be taken into account too. .

Net immigration in an economy at (or near) full employment will contribute to demand pull inflationary forces. Even if immigrants have a lower propensity to consume than the native population, the additional resources made available for new investment are by no means sufficient to cover the immediate capital needs of the new members of the population. Under certain circumstances the threat for a substantial contribution of immigration to inflationary pressures can be real. (Jones and Smith, 1970, p. 143) The counter-factual position though, that is, what would have happened if the excess demand for labour had not been satisfied by immigration, may lead to the conclusion that inflation would occur one way or another.

As far as the emigration countries are concerned, we should expect a decrease of output (except when the marginal productivity of labour in the emigration country equals zero prior to emigration) and an increase of demand as a result of remittances (to the extent that these remittances finance consumption), coinciding with a decrease in demand due to the departure of the emigrants. This increase in disposable income (as a result of remittances) and the consequent increase in demand (provided that the increase in demand due to the remittances outweighs its decrease due to the departure of the emigrants) may induce an increase in the price level if it is not followed by a simultaneous and analogous increase of aggregate supply (Coale, 1976). Inflation may also rise in the emigration countries if the departure of the emigrants leads to selective labour shortages and therefore wage increases; alternatively, return workers may influence trade unions to pursue more militant policies but this will depend on whether returnees

will chose to unionise (Paine, 1974, p. 43).

The deflationary impact of emigration, due to the fall in demand deserves further discussion. Kindleberger's (1965, p. 242) argument (surprisingly unKeynesian this time) is that the foregone consumption of the emigrants has a deflationary impact. This will be true as long as there is some net reduction in consumption which is not accompanied by an equal reduction in output (or potential output). This effect, though, could be neutralised if, for example, the relatives of the emigrants raised their consumption (financing it with remittances).

The impact of remittances on inflation for both groups of countries could also be examined in terms of their impact on the money supply. This could best be shown with an example: if country A (the emigration one) and country B (the immigration one) have formed something like a monetary union, which implies a common currency more or less, the money supply increase in country A will equal the money supply fall in country B; money supply changes in each country will *ceteris paribus* be equal to remittances from country B to country A. The common currency assumption is not the strict one in this example; the same conclusions would be true by adopting an assumption on convertibility of the two currencies at fixed exchange rates (which again is based on some sort of monetary union). The strict assumption is the implicit one concerning the absence of any intervention of the central banks of the two countries which could easily neutralise (in terms of the money supply) the impact of such a flow. In conclusion, the inflationary impact of remittances for the emigration country through increases in the supply of money is not inevitable; it can only happen either by default (the central bank authorities fail to take any action aiming at neutralising this inflow) or, simply because the monetary authorities wish a money supply increase anyway and chose to do it by not neutralising the impact of remittances.

Besides the particular inflationary or deflationary impact of changes in wages due to migration, the evolution of the wage level in the two groups of countries is a very important aspect in its own right. It is true that emigration should be expected to lead to a convergence of real wage levels between the emigration and the immigration countries by abolishing the relative surpluses or deficits of labour; the question though, is whether this convergence takes place and, if so, to what extent. First of all, it should be made clear that this analysis

assumes that the less developed (emigration) country is capable of productivity to match the more developed (immigration) one. Conventional analysis assumes similar technologies used in both countries. In reality though, things may be quite different: In a center-periphery scheme for example, the levels of technology used could be very different. By adopting the Keynesian approach, one could argue that even if wage differences narrow because of migration they will never really disappear; wage rigidities may persist (chapter one) irrespectively of the size of migration. By adopting the Marxist theory, on the other hand, one could even doubt whether any convergence should be expected.

Emigration lowers the capital-labour ratio in the immigration countries since it contributes to the increase of the labour force; besides that, immigrants are usually employed in industries with a capital-labour ratio lower than the average (this feature mostly applies to the postwar migrations) and, furthermore, skilled immigrants (human capital) may lower the need for material capital per unit of product (MacMillen, 1982). This human capital element, though, does not really apply in the case of the postwar European immigration.

The inflow of immigrants lowers the marginal product of labour and consequently the wage level (that is if wages are correlated with the marginal product of labour and assuming no change in other factors; this may also depend on the skill and effort levels). As a result, the marginal product and the revenue of the other factors of production (whose volume is assumed to remain constant) rises (Kindleberger, 1963). Under these conditions we can examine migration as a factor of income redistribution in favour of capital in the immigration countries and in favour of labour in the emigration ones.

C. THE LONG-RUN ECONOMIC EFFECTS OF MIGRATION.

1. General.

The examination of the long-run economic effects of migration is probably the most difficult task for an economist dealing with international movements of labour, both as far as the theoretical approach as well as the application to a particular migratory flow are concerned. The lack of relevant literature is one of the main reasons for this difficulty; in fact, out of the limited (as mentioned)

literature on the effects of migration, very few references can be found on the long-run ones. A second explanation could be that the long-run implications of migration (as in most economic phenomena) is very difficult to distinguish and, in most cases, impossible to quantify and therefore model what would have happened otherwise.

The analysis will concentrate on the main question of what is the role of migration in the economic development of the emigration and immigration countries. In this context, migration should not be examined as a factor influencing the inputs of labour and, therefore, the growth of output (as in the case of the short-run effects); the effects of migration in the long-run refer to its contribution to the transformation of the economies involved to more developed ones through the increasing importance of the more dynamic sectors and the relatively falling importance of the traditional less dynamic ones.

Emigration changes the sectoral distribution of the labour force in both emigration and immigration countries, especially when emigrants are moving from the primary sector of a country to the secondary sector of another. This has structural implications for the labour force and, more generally, for the economies of both countries which can be seen in the medium run (O.E.C.D., 1979). In particular, emigration may lead to an increase of the importance of manufacturing in both countries, in the following way: assuming that people move from the agricultural sector of the emigration country to the manufacturing sector of the immigration one, the share of agriculture in total employment in both countries falls and the share of manufacturing rises. This, of course, does not necessarily imply a structural change in terms of the composition of output. Such changes in the structure of employment not accompanied by changes in the composition of output could be described as "negative industrialisation", that is a decline in agriculture without an expansion of manufacturing.

This is an oversimplified approach; by reducing the number and, therefore, the share of farmers in total employment in the emigration countries, the share of the other sectors increases, but this is in no case an indication of economic development. The long-run effects of migration will be analysed for the emigration and immigration countries separately. First, we should examine the long-run implications for the emigration countries.

2. The Human Capital Element.

Emigration is regarded as a loss of human capital for the labour exporting countries in the sense that they bear the cost of "producing" the labour force that emigrates; this cost refers to the amount that has been invested in the upbringing of the persons who migrate. This view though, raises a series of analytical problems. The main question is whether the labour exported is productive for the emigration country; a second one has to do with whether the productivity accrues to the individual or somehow to the country at large; besides this, one should examine whether there are "externalities" from the employment of these people. Thirdly, one could argue on whether capital theory could (or should) be applied to human beings in developing countries (Kindleberger, 1965, p. 245).

Generally speaking there are two opposite views on this issue: according to the first one, since the persons are there anyway, previous costs incurred in their upbringing should not be taken into account when examining whether they should be "exported" or not. In the words of Kindleberger (1965, p. 246) who is probably not taking all the possible options into account "...the young people exist, and we need to apply to them not the real cost but opportunity cost analysis (which is equivalent to saying never charge for use of capital equipment once it has been built). What is the most effective use to make of existing labour, to employ it abroad, or leave it unemployed at home; or if there are job opportunities at home, to employ it at home with a small amount of capital. or abroad with more..."

Castles and Kosack (1973, pp. 409-10) take the opposite view arguing that the total cost of raising a child until working age should be taken into consideration as it is a charge on the country's national income and they proceed to estimate these costs.

One strong argument for this real cost approach is that it recognises that surplus labour does not exist like a pool, but rather as a result of the policies an economy pursues. If however these policies fail to provide productive employment to these people then the question of the most effective use of the surplus labour can legitimately be asked (Paine, 1974, pp. 46-47). If the real cost approach is adopted, one is essentially assuming that governments in the emigration countries can take decisions on whether to bear the cost of upbringing children for the purpose of exportation and avoid the unnecessary costs from the

surplus population by reducing the birth rate. It is impossible to plan with accuracy on such issues though, and the whole discussion seems to be academic. What costs are appropriate seems to depend on the pattern of emigration. If emigration is a "one off", then costs of having raised children could be ignored; but if migration is a continuous process, then full cost appears more appropriate. Besides that, these costs cannot be taken into account when negotiating the "terms of the export" since no direct payment is made in this trade. Finally it should be noted that the whole argument about the transfer of social capital is usually framed in terms of costs and benefits to the emigration country's economy in the abstract, and takes no account whatsoever of the welfare of the individuals concerned, nor of the distribution of costs and benefits within the economy (Paine, 1974, pp. 46-7).

3. The Acquisition of Skills Argument.

Kindleberger, (1965, p. 248) mentions another possible dynamic gain for the emigration countries, namely the training of industrial workers. According to that, it is possible that most emigrants will return and that they will bring back with them skills required for economic development and also adjustment to industrial life. The process of conditioning people for factory work has been analysed in terms of stages of recruitment, commitment, advancement and maintenance, which means all the steps which go to make a rural hand into a factory worker.

The aforementioned dynamic gain is possible, but under three assumptions:

- a) First of all, immigrants have to return and, furthermore, while they still are in the working age brackets.
- b) Those who return have to accept and obtain a job similar to the one they had abroad.
- c) There must be similar in nature industrial units in both countries (Nikolinakos, 1974). Furthermore, repatriation can have additional economic as well as non-economic implications (Korner, 1984).

The return of migrants more skilled than on their departure has traditionally been regarded as one of the main economic advantages of temporary migration for the emigration countries, although one could ask why would foreign firms provide the training when they appear not

to benefit from it. However, OECD and ILO reports on this issue indicate that repatriation has had little positive effect on the economies and societies of origin. Discussion has centred on the skill endowment of returnees but statistics in this area can be very misleading because of different definitions between countries. As far as the intra-European migratory flows are concerned, it appears that emigration does not seriously improve the quality of labour in the sending country mainly because the number of skilled jobs taken by foreigners in the immigration countries is relatively small (MacMillen, 1982, pp. 259-60).

4. The Balanced Growth Argument.

Migration may, to a great extent, affect the economic structure of a country, in the long run, and to a certain extent, its position in the international division of labour. The outflow of labour force, as far as the emigration countries are concerned, may initiate the technological modernisation of the economy, through "an increase of the marginal product of labour and the transition from a system of disequilibrium where labour is paid according to its average product, to another where it is paid according to its marginal one" (Kindleberger, 1965, p. 250). This stimulus for investment and technological change from raising the marginal product of labour due to migration, is very ambiguous. The above analysis is static in nature; it focuses on industry and therefore neglects the dynamic impetus of rising wages on investment and technological change in agriculture, which in the case of emigration from a country rather than a sector, may apply throughout the economy.

Although debatable, the aforementioned argument deserves further investigation. The essence of the argument which was titled the "balanced growth" one and has very strong Neoclassical affiliates was first presented by Vera Lutz (1963). According to this argument and under the Neoclassical assumptions of full employment, no surplus labour, perfect competition and optimum resource allocation, emigration will raise income in the agricultural sector to a per capita level where income recipients devote substantial income for the purchase of industrial goods; this will create a market for industry and will allow it to develop effectively. In buying industrial goods the agricultural sector will have to furnish food, thus closing a "food gap" which would

appear if surplus labour were taken off the farm and set to work locally in industry, rather than at a distance. It is not completely clear whether agricultural income per head is merely raised by the reduction in agricultural labour (a change in the land \ labour ratio), or additionally by investment, but it seems to be both.

Generally speaking, this is an interesting idea, but like so much of the balanced growth discussion, it ignores foreign trade. Industrial workers (in Southern Italy which was used as a reference point in the analysis of Lutz) could export their output (to Northern Italy) if not to foreign countries, and buy food abroad. Or, after emigration, Southern agriculture could sell its products abroad, and buy industrial goods outside the region without necessarily creating a market for indigenous manufacturers. Southern Italy is not so isolated that transport costs give it great protection. Furthermore, there may be some conflict in agriculture between using the increased income per capita for investment in agriculture, or for consumption, and if the latter, whether of food or of industrial goods. (Kindleberger, 1965) The extra income, it is clear, can only be used once, and for poor countries, as emphasised, it is likely to be eaten in great part rather than invested or spent on industrial products. Generally speaking, Kindleberger (1965) seems to be right when he claims that "...Mrs Lutz's idea is interesting but not convincing..." mainly because the Neoclassical approach in general is not very helpful for analysing industrial development.

The analysis so far has revealed that one cannot really come up with a generally applicable conclusion as to the role of emigration in the economic development of the labour exporting countries. What is almost certain though, is the stimulus to higher real wages emigration will cause provided that there will be no labour surplus after emigration. This stimulus is not necessarily positively related to development (in fact the opposite seems to be more likely); it certainly causes an increase in the labour cost though, and consequently costs and prices increase as far as the labour intensive goods this country is producing are concerned. For a developing country, mainly producing labour intensive goods means a loss in competitiveness and probably the search for a new position in the international division of labour. This new position though, will only be attainable provided that the emigration country in question has meanwhile successfully shifted to the

production of more capital intensive goods, either exportables or import substituting ones (in line with the dual-gap model, as mentioned earlier in this chapter). If this is not the case, this country will end up in a very unpleasant situation not being able to successfully compete either with the less developed countries or with the more developed ones.

5. Some Additional Long-Run Effects.

Since neither emigration and repatriation nor remittances are "evenly" distributed among the different regions of an emigration country, the whole process will certainly have a regional dimension which will have to be taken into account.

Besides the purely economic effects of migration, the demographic ones have to be taken seriously into consideration in order to have a complete evaluation of a particular migratory flow. Since emigration is a selective process (in the sense that immigration countries may select the people they are going to import), mainly referring to people in the "productive" age brackets (15-55 years old), it statically influences the age pyramid as well as the size of the population both in emigration and immigration countries; (Zolotas, 1966, pp. 21-22) it also influences fertility rates in both groups of countries (it is the young who usually emigrate) affecting, therefore, the rate of the natural increase of the population (Blitz, 1977, p. 487).

Things are clearer as far as the long-run effects for the immigration countries are concerned. These countries greatly benefit from the fact that the expenses of child rearing and education embodied in the immigrants have been borne in the country of origin. "...in a nutshell it is cheaper to import workers than to grow them..." Reder, 1963, p. 224) Furthermore, the typical age and sex composition of immigrants is such that they will seek employment to a greater extent than the native population (Blitz, 1977, p. 479).

The money immigration countries "save" by "importing" human capital free, can be spent on investment in industry or infrastructure. This brings us to the idea of a virtuous circle investment -> free import of human capital -> development -> further investment which is exactly Kindleberger's (1967) explanation to the paradox why the Lewis model has worked better in Europe than in the less developed countries for which it was conceived. The former possessed superior infrastructure

(among other things) as compared with the latter.

Another characteristic of the "freely imported human capital is its young age; in the case of temporary migration (as was the postwar intra-European one) this capital will appreciate rather than depreciate, not just through formal education, but by subsequent interlaced practical learning experience (Blitz, 1977, p. 489).

Alike the short-run direct production effect which has been already discussed, there is a long-run impact on the welfare of the indigenous population; this could be explored by the means of the standard Neoclassical growth model. This model predicts that in the absence of changes in either the growth rate of the indigenous labour force or the rate of capital accumulation, or the level of technology, the steady state long-run growth rate of domestic output will be determined by the growth rate of the immigrant labour force. Thus the pre-existing long-run steady state growth rate of output will be retained some time after an increase in the total labour force due to a once-and for all inflow of foreign workers. A continuous immigration of labour at a constant rate will result in a permanently higher long-run growth rate of output and labour immigration at an increasing rate will raise the growth rate continuously (MacMillen, 1982, pp. 248-9).

One should keep in mind that the operation of such a mechanism depends upon certain *ceteris paribus* assumptions about the level of technology and the rates of growth of the capital accumulation and the native labour force. Immigration may influence these variables in either direction; first of all it would appear that no definite conclusions could be reached on the causal relationship between immigration and the growth rate of the native labour force. The Neoclassical analysis mainly focuses on the causal relationships between immigration on the one hand and capital accumulation on the other, since technological change is assumed constant and exogenous. Labour productivity though, is determined by such a complexity of factors that quantifying this long-run impact of immigration on output is practically impossible. A Keynesian (Kaldorian) analysis on the other hand, as we saw when discussing the static impact of migration on GDP growth, would stress the endogeneity of employment and productivity growth which depend on output growth through the Verdoorn's law.

One of the main long-run benefits from employing foreign labour for the immigration countries stems from their relatively high occupational

and regional mobility. This provides the policy makers, in the immigration countries, with an additional means of economic policy. Given that immigration countries can usually determine (to a certain extent) the numbers of foreign workers, one can easily understand why immigration is considered as an efficient means for the medium-term planning of the economy.

Finally, as in the case of the emigration countries, immigration has a clear regional dimension; besides that it is related to possible demographic effects.

C H A P T E R S I X

" THE EVOLUTION AND THE IMPACT OF EMIGRANTS REMITTANCES FOR THE GREEK ECONOMY "

A. THE POSTWAR EVOLUTION AND THE DETERMINING FACTORS OF EMIGRANTS REMITTANCES IN GREECE.

1. General.

Remittances represent one of the main economic effects of migration, since the inflow of foreign currency remittances can be of great importance for the developing-emigration countries which are usually faced with shortages of foreign exchange.

There is a problem in defining remittances; if one accepts that any inflow of foreign exchange caused by the employment of emigrants abroad should be included in the definition of remittances, one will soon find out that they are not homogeneous as far as their origin is concerned. This happens because remittances under this definition include the money remitted by those employed abroad, the pensions of those who were employed abroad in the past and the money returning emigrants bring. This "non homogeneity" could imply that different types of remittances are put to different uses, but these differences only matter when the different types of remittances are put to different uses (King, 1986, p. 22). In terms of their impact on the balance of payments, on the other hand, the type of remittances may not matter at all.

As we have seen in the previous chapter, emigrants and especially those who are not accompanied by their families, usually have a particularly high propensity to save and, a high propensity to remit money to their country of origin (Granier, and Marciano, 1975, pp. 161-2). Especially as far as Greek immigrants in West Germany are concerned, it was estimated that their remittances represented 25% of their disposable income for those accompanied by their families and 45% for those not accompanied by their families (Blitz, 1977, pp. 498-499).

Emigrants usually adopt a different saving attitude in comparison to their compatriots who do not emigrate. This could be explained by taking into account that acquiring a relatively well paid employment and maximising remittances are the main motives for emigration to occur. As a result, the determining factors of remittances are usually very different from those determining the savings of the non-emigrants (Glitsos, 1987, pp. 75-77).

Generally speaking, the size of the remittances is influenced by two sets of factors: a) Factors that have to do with the status of immigration (number of immigrants, their income etc.) b) Measures taken

by the emigration countries in order to absorb the savings of the emigrants (Pouloupoulou-Emke, 1986, pp. 302-3).

2. The Evolution of Emigrants Remittances. (1)

Greece, a country with a long tradition in emigration had a corresponding experience in the inflow of remittances. In fact, in the period 1914-1928 emigrants and sailors remittances covered more than 50% of the Greek trade deficit. In that period, remittances were equal to three-fifths of the country's exports (Pouloupoulou-Emke, 1986, p. 298). In the first half of the 20th century, Greece had the highest per emigrant remittances: \$ 50 U.S. (in current prices) while the corresponding figures were \$ 28.1 for the Irish and the English and \$ 4.05 for the German emigrants (op. cit). The postwar increase of emigration, especially after 1960 caused an increase of remittances; the expansion of emigration to West Germany in particular, soon made this country the main source of remittances for Greece.

In table II-1 we can see the contribution of emigrants' remittances from West Germany to the build up of total remittances and the rates of increase of remittances in total and from West Germany in particular, in the period 1960-1984. From this table we can derive that, especially in the 1960s and the 1970s, West Germany had been the main country of origin for remittances. Since 1978, remittances from West Germany are continuously falling, causing a consequent fall in the share of this country in total remittances (Pouloupoulou-Emke, 1986, p. 302).

One should take into account though, that some Greek economists (Zolotas, 1966, Glitsos, 1988) believe that the inflow of foreign exchange from the emigrants, and those in West Germany, in particular, must have been greater than the figures of the official statistical data.

(1) In most cases estimates of the volume of remittances are complicated by the necessity to reconcile balance of payments and national income accounts; national statistics tend to underestimate the size of remittances since they only take into account the exchange from remittances legally (through the central bank) converted to national currency at the official exchange rate. In any other case such as black market for currencies or a parallel currency (foreign currencies financing transactions) which are fairly possible for countries possessing a weak currency as most emigration countries do, this simply means a divergence between reality and national accounts.

The size and importance of emigrants remittances in the case of the Greek economy can be best analysed if examined in conjunction with other items of the balance of payments and particularly the invisibles in total and the trade balance as in table II-2 and figure II-1.

Table II-1: The evolution of emigrants remittances to Greece from FRG and total (1960-84).

Year	Rem. in mil. \$ (1)	Rem. from FRG in mil.\$ (2)	Annual % change of Rem.	Annual % change of Rem. from FRG	Remittances from FRG as a % of total (2/1)
1960	90.5	0.4	-	-	0.44
1961	107.4	2.5	18.67	525.00	2.32
1962	139.1	4.0	29.51	18.54	60.00
1963	168.1	7.4	20.84		178.31
1964	176.8	10.6	5.17		85.00
1965	206.9	13.7	17.02		43.24
1966	234.9	20.3	13.53		29.24
1967	232.0	21.0	-1.23	9.73	48.17
1968	234.3	22.9	0.99		40.07
1969	277.3	48.2	18.35		9.05
1970	344.5	132.9	24.35		9.04
1971	496.6	186.0	36.31		110.48
1972	575.2	222.7	22.48	19.72	172.72
1973	735.3	269.0	27.83		39.35
1974	645.2	225.5	-12.55		19.73
1975	733.5	262.0	13.99		48.00
1976	803.1	303.2	9.48		20.79
1977	924.8	331.2	15.17	12.08	-16.17
1978	984.4	313.9	6.44		16.18
1979	1135.6	331.7	15.35		15.75
1980	1064.6	313.8	-6.25		9.23
1981	1063.6	283.3	-0.09	2.02	8.23
1982	1019.0	276.8	-4.19		9.23
1983	1228.7	232.2	20.57		-5.22
1984	1230.6	196.9	0.10		5.67
Tot.	14825.0	4032.1			
					27.00

Sources: a) Bank of Greece.
b) Own calculations.

From table II-2 and figure II-1 one can derive that all through the postwar period Greece witnessed a constantly expanding deficit in its trade balance which could be outweighed by a surplus in the other balances. In fact, the balance of invisibles proved to be very successful in doing so. The continuous increase of the invisible payments since the late 1970s limited the ability of the balance of

invisibles to cover the balance of trade deficits (Negreponi-Delivani, 1981, pp. 401-11).

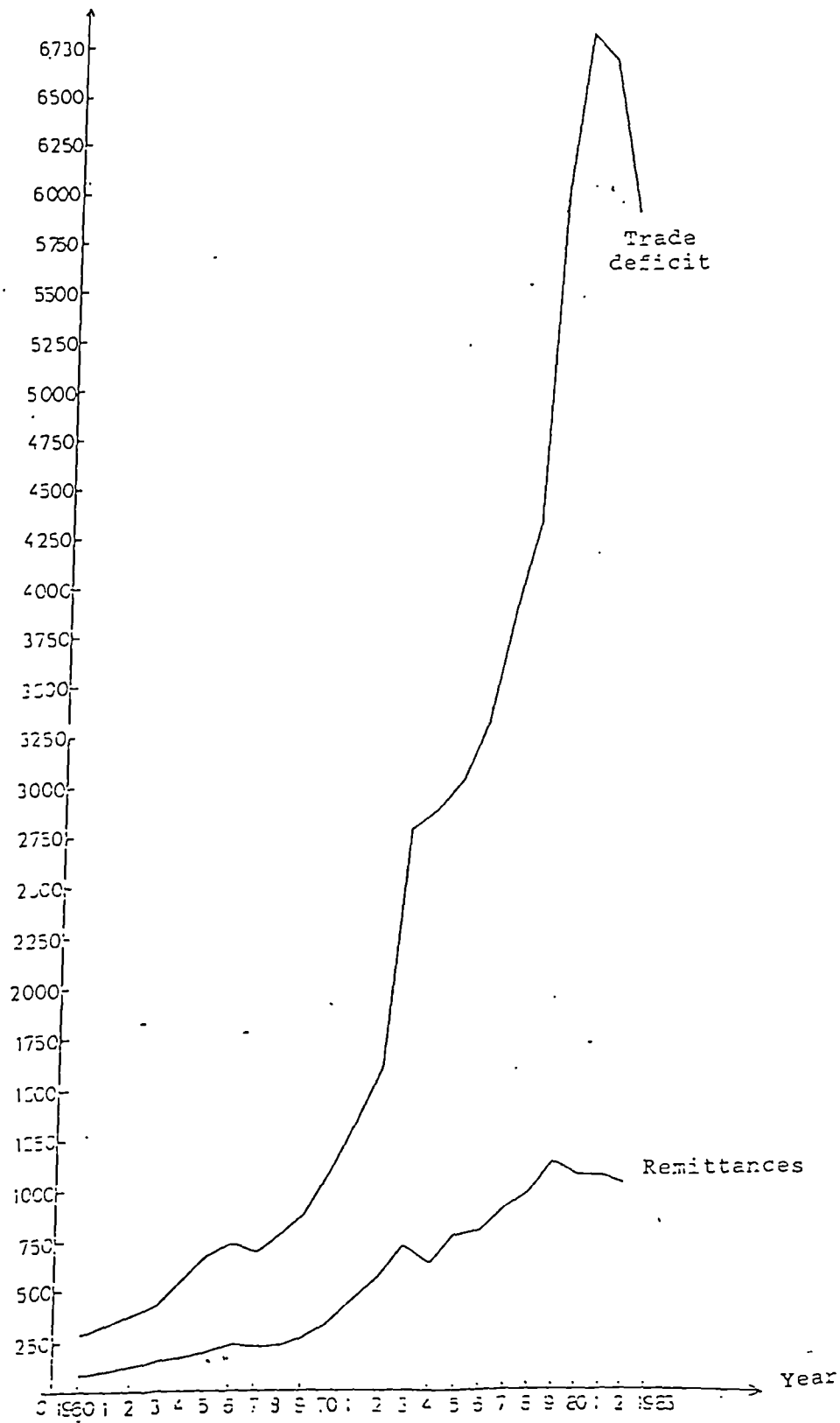
Table II-2: The contribution of invisibles and remittances in the narrowing of the balance of payments deficit in Greece (1950-1984).

Year	Trade balance in mil \$ (1)	Invisibles in mil \$ (2)	Remittances (2/1) in mil \$ (3)	(3/1)	
1950	-312.6	51.5	14.3	16.47	4.57
1951	-329.7	62.9	17.0	19.07	5.15
1952	-160.4	75.1	18.0	46.82	11.22 18.15
1953	-109.2	107.8	45.6	98.71	41.75
1954	-167.4	124.2	47.0	74.19	28.07
1955	-157.7	153.8	50.6	97.52	32.08
1956	-235.1	182.6	60.9	71.57	23.87
1957	-285.5	235.7	75.0	82.55	26.26 29.84
1958	-265.5	217.6	76.7	81.95	28.88
1959	-232.2	237.2	88.6	102.15	38.15
1960	-295.2	273.2	90.5	92.54	30.65
1961	-330.4	319.6	107.4	96.73	32.50
1962	-394.5	379.6	139.1	96.22	35.25 33.83
1963	-433.5	454.3	168.1	104.31	38.77
1964	-552.4	479.5	176.8	86.80	32.00
1965	-684.3	549.4	206.9	80.28	30.23
1966	-743.0	635.9	243.9	85.58	31.61
1967	-693.7	659.0	232.0	94.99	33.44 31.43
1968	-767.8	719.0	234.3	93.64	30.51
1969	-883.7	788.3	277.3	89.20	31.37
1970	-1084.2	949.2	344.5	87.54	31.77
1971	-1302.3	1292.3	469.6	99.23	36.05
1972	-1571.6	1605.9	575.2	102.18	36.59 30.59
1973	-2800.3	2195.4	735.3	78.39	26.25
1974	-2888.1	2495.6	645.2	86.40	22.33
1975	-3035.7	2836.6	733.5	93.44	24.16
1976	-3328.6	3178.6	803.1	95.49	24.12
1977	-3887.4	3699.4	924.8	95.16	23.78 22.62
1978	-4339.2	4421.6	984.4	101.89	22.68
1979	-6177.8	5662.3	1135.6	91.65	18.38
1980	-6809.5	6158.6	1064.6	90.44	15.63
1981	-6696.6	6495.1	1063.6	96.99	15.88
1982	-5926.9	6097.6	1019.0	102.88	17.19 18.90
1983	-5385.9	5529.2	1228.7	102.66	22.81
1984	-5350.8	5288.7	1230.6	98.83	22.99
Total	-68638.7	64072.3	15318.7	93.33	22.31

Sources: a) Bank of Greece.
b) Maroulis D., 1986.
c) Own calculations.

Figure II-1: Remittances and trade deficit in Greece (1960-82).

Remittances and
trade deficit



Source: Glitsos, 1987, p. 98.

Especially in the period 1955-1975 (when the exchange rate of the drachma vis-a-vis the US \$ and the other main currencies was fixed), emigrants remittances represented a basic factor for covering the deficits in the balance of trade corresponding to a 30% of this deficit. By combining the data of tables II-2 and II-3 one may conclude that in the 1960s and the early 1970s remittances from West Germany were covering 3-12% of the balance of trade deficits.

Table II-3: Remittances in Greece as a percentage of GDP (1970-1980).

Year	Remittances in mil. U.S. \$	Remittances as a % of GDP
1970	342.8	3.9
1971	457.9	4.6
1972	559.6	4.9
1973	714.6	4.7
1974	624.4	3.5
1975	753.3	3.9
1976	772.2	3.7
1977	899.1	3.7
1978	951.4	3.3
1979	1,136.9	3.2
1980	1,059.4	2.8

Source: Emke-Poulopoulou, 1987, p. 304.

Finally, the fall in the number of emigrants after 1975 was reflected in a continuously decreasing coverage of the balance of trade deficits by the remittances.

The decreasing importance of remittances can also be indicated by the fact that, as one could derive from table II-3, remittances have been falling as a percentage of GDP all through the 1970s.

Since 1981, remittances have been falling in absolute terms as well as in terms of importance; in fact, one could expect a continuously falling trend for remittances in the future. Only in case of a repetition of massive emigration from Greece in the future, should a recovery of remittances be expected.

B. AN ECONOMETRIC INVESTIGATION OF THE FACTORS DETERMINING THE EVOLUTION OF REMITTANCES.

There are several aspects to be taken into account before trying to formulate a model for the determining factors of emigrants remittances.

The decision of an emigrant to remit money to his country of origin, first of all means that he decides not to spend this money on consumption or save it in the immigration country. In a sense therefore, remittances represent a part of his propensity to save; one could argue though that remittances simply represent an intra-household transfer. The particularities of remittances though, are that emigrants decide to save that money in their country of origin instead of saving it in the country where they live and work and that remittances could be in effect a transfer of finance within his household, if an emigrant is separated from his family and sends money which his spouse spends on consumption or saves in the emigration country.

Remitting money, therefore, implies two sets of choices for the emigrants: the first one has to do with which part of their income they will spend on own consumption (which consequently determines their level of savings), and the second one has to do with where they will decide to save their money.

As already mentioned, two sets of factors may influence the size of remittances, the first one operating in the immigration country and the second one in the emigration one. In particular, the number of immigrants, their wages (and therefore income) and employment status could be included in this category. In fact, the economic environment in the immigration country, the family status (single or married, escorted by their families or not), the exchange rate, expectations and the interest rates in the immigration country may as well influence the size of remittances.

The second set of factors includes all the "pull" forces exercised by the emigration country in order to maximise the inflows of remittances. Short and long-term interest rates, special exchange rates and any other direct and indirect incentive could be included in this category.

Following these theoretical considerations and, taking into account other models on remittances to Greece (Duysan, 1985, Glitsos, 1988), one could end up with the following function:

$$R_t = f(R_{t-1}, Y_t, Y_{t-1}, W_t, W_{t-1}, E_t, E_{t-1}, U_t, U_{t-1}, I1_t, I1_{t-1}, I2_t, I2_{t-1}, D_t, D_{t-1}, ER_t, ER_{t-1}, \dots) \quad \text{Where:}$$

R_t and R_{t-1} : Remittances to Greece in periods t and $t-1$ respectively,
 Y_t and Y_{t-1} : Greek emigrants' income " " " " " ,

W_t and W_{t-1} : " " wage level " " " " " ,
 E_t and E_{t-1} : Employment of emigrants " " " " " ,
 U_t and U_{t-1} : Unemployment " " " " " ,
 $I1_t$ and $I1_{t-1}$: Interest rates in Greece " " " " " ,
 $I2_t$ and $I2_{t-1}$: " " " immigration countries in periods t and $t-1$,

D_t and D_{t-1} : Dummies representing the economic performance of the immigration countries in periods t and $t-1$ respectively,

ER_t and ER_{t-1} : The exchange rate between Greece and the immigration countries in periods t and $t-1$ respectively.

This function includes variables which influence the prosperity of the immigrants (directly or indirectly) and, therefore, their ability to remit either in a positive way (Y_t , Y_{t-1} , M_t , M_{t-1} , E_t , E_{t-1} , D_t , D_{t-1}) or in a negative one. Besides that, it includes variables representing emigrants potential benefits from remitting rather than saving in the immigration country such as $I1_t$, $I1_{t-1}$, ER_t , ER_{t-1} (expected to be positively influencing the size of remittances) and $I2_t$ and $I2_{t-1}$ (expected to negatively influence the size of remittances).

As in chapter four, I started with a model including all the above variables and then, by dropping the non-significant ones, I ended up with the following estimated model on remittances from West Germany to Greece for the 1960-1984 period:

$$\log R_t = -1.48 + 0.633 \log R_{t-1} + 0.45 \log Empl_t + 1.299 \log I1_t + 0.305 D_t$$

(-0.682) (5.118) (1.764) (2.053) (2.133)

$R^2 = 0.983$, $F(4, 20) = 295.94$, $D.W. = 1.6$, Durbin's H test = 1.106
 where:

R_t : Emigrants remittances from West Germany in period t in millions of DM (current prices).

R_{t-1} : Emigrants remittances from West Germany in period t in millions of DM (current prices).

$empl_t$: Number of Greeks employed in West Germany in period t .

$I1_t$: Long-term interest rates (for more than 24 months) for emigrants' deposits in Greece in period t .

D_t : Dummy variable taking the value of 1 when the economic conjuncture is favorable in FRG and 0 in periods of economic recession.

The expression of the variables in logarithms was justified by an

F-test (where the superiority of the model including the variables expressed in logarithms relatively to the one where variables were expressed in levels was established). As far as the economic justification of including each one of these independent variables is concerned we could say that|

-The remittances of the previous year influence the size of the present year since they are a point of reference for the emigrants. It would probably make sense to assume that, even in periods of economic recession, emigrants try to remit at least the same amount of money as in the previous year or at least, not a significantly lesser one; in case of a favourable economic conjuncture they try to remit more money but always relatively to the previous year.

-The number of Greeks employed in West Germany clearly influences the size of the remittances since they are the ones to earn an income and to be able to remit a part of this income. This variable was preferred to the total number of Greeks established in West Germany, because the latter includes the unemployed and the non-working dependents of the emigrants who do not have an income which would allow them to save and therefore to remit any money.

-Long-term interest rates for the deposits of the emigrants determined by the Bank of Greece (and there are special arrangements for emigrants after 1967) are of great importance as far as the size of the remittances is concerned; an increase of these rates would have a negative effect on the propensity to consume of the emigrants as well as their alternative to deposit their money to German banks.

-Finally the dummy variable representing the economic conjuncture in West Germany determines both economic factors (income and unemployment of the emigrants) as well as purely psychological ones (the uncertainty of the migrants) which determine the decision of the emigrants on the amount they are going to remit. The dummy variable takes the price of 1 for the years 1960-1965 and 1969-1973 (favorable economic conjuncture) and 0 for the rest (1966-68 because of the short period of recession for the German economy-see chapter 2).

Besides these independent variables, a series of others was tested but they proved to be non-significant; we could just mention them| the total number of the Greeks established in West Germany, the German interest rates, the exchange rate between the mark and the drachma

(both nominal and real) and the economic conjuncture in Greece. In particular, the inclusion of these variables in the model was tested and rejected by an F-test.

The data used was derived from the following sources:

- Remittances are given in US \$ (current prices) according to the data of the Bank of Greece.
- The number of the employed Greek immigrants by year is given by the Federal Employment Foundation (Hatzipanayotou, 1977)
- Long-term interest rates for the emigrants are the average annual ones. (Bank of Greece, 1982) ,
- The dummy variable is given the value of zero when the GDP growth rate is smaller than the one for the previous year by at least 2.5 percentage points or (and) the unemployment rate is at least 1.5 percentage points higher than the one of the previous year.

From the estimated model the following conclusions can be derived|

- The general fit of the model is very satisfactory.(high R^2 and $F(4, 20) = 295.949$ (critical value = 2.87 at a 95% confidence level).
- There is no autocorrelation problem since the h test (used when the lagged dependent variable is used as an independent one) gives a value 1.10643 which is included in the accepted critical margin [-1.96, 1.96].
- The signs of the coefficients seem to be consistent with economic theory; a positive relation between the remittances and each one of the dependent variables of the model was expected.
- All the dependent variables are significant since for a 95% level of significance and for 19 degrees of freedom the critical value is +1.729, and all the estimated values are higher than that.

The fact that only one (logIltt) out of the four independent variables of the model has to do with the evolutions in Greece and, in addition is the third in terms of significance, suggests the decisive role of the economic condition in the country of origin on the size of remittances.

The test for normality of the residuals gave a value of 3.168 for the X^2 distribution (for two degrees of freedom and a 95% confidence level, the critical value being 5.991. Therefore there is no efficiency problem for the least square estimators.

The test for Heteroskedasticity using the White test gives a 2.7669

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value for the F distribution (95% confidence level, against a critical value of 2.91. More important is that the distribution of X^2 given by this test is 15.4361 against a critical value of 15.507. The zero hypothesis for heteroskedasticity is therefore rejected.

Finally the test for omitted variables, using the Reset method gives negative results ($F(3.18, 0.05) = 3.16$ which is greater than the critical value 2.523). We cannot reject, therefore, the zero hypothesis for the non-existence of basic explanatory variables in the model correlated to its existing variables.

The fact that the basic assumptions are valid justifies the use of the O.L.S. method for the estimation of the model as well as the efficiency of the estimators. Besides that, the test for omitted variables has shown that there are no basic explanatory variables omitted from the model.

C. AN ECONOMETRIC INVESTIGATION OF THE EFFECTS OF REMITTANCES FOR THE GREEK ECONOMY.

1. General.

The main aim of this investigation is to examine the impact of remittances on several macroeconomic variables which, according to the theory may be influenced by them. Expenditure on consumption of domestic and imported goods on the one hand and, investment on the other, were the main ones. In particular, the impact of remittances on the different components of consumption and imports (consumer and capital goods) and investment (investment in manufacturing, dwellings etc.) will be examined as well. Furthermore, this investigation will enable a test of the applicability of the dual-gap model (see chapter five) in the case of Greece.

Besides the usual problems all quantitative investigations on the Greek economy are faced with (lack of reliable data etc), this particular one had to cope with the task of including remittances (or at least trying to) in the framework of a general macro economic model for the Greek economy. The construction of such a model, though, was limited by the fact that the literature on macro-economic models of the Greek economy is relatively poor. In fact, only two books (Tsioris, (1976) and Vernardakis, (1978)) proved to be of some help as starting points.

Because of their size and importance as a source of foreign exchange, remittances were taken into consideration by most analysts of the postwar performance of the Greek economy. They all made clear that the impact of remittances on the Greek economy and several macro-economic variables in particular was very significant, but they did not support their statements with findings of quantitative investigations. As a result, some authors stated the role of remittances on imports and consumption, some on investment and some on all macro-economic variables, the main problem being that these analyses ended up with conclusions (or even suggested policy measures) which were based on instinct rather than quantitative justification.

Remittances are the financial or pecuniary side of migration; theoretically they may influence most (if not all) macro-economic variables of an emigration country. Factors such as GDP growth, inflation and the balance of payments may be directly or indirectly affected by them; it is therefore essential to examine their direct impact on variables such as consumption, imports and investment.

Before proceeding with the econometric investigation, a list of all the variables which will be used will be provided.

List of variables used.

1. Rem : Remittances to Greece
2. Y_d : Disposable income in Greece
3. C : Private consumption expenditure in Greece
4. I : Total investment in Greece
5. M : Imports in Greece
6. I_{man} : Investment in manufacturing in Greece
7. I_{dw} : Investment in dwellings in Greece
8. I_{rest} : Investment in the other sectors in Greece
9. W : Income from wages in Greece
10. Pr : Income from profits etc. in Greece
11. Y_{agr} : Income from farming etc. in Greece
12. TrG : Transfers from the government in Greece
13. T_{dir} : Direct taxes in Greece
14. CrDw: Credit to dwellings in Greece
15. Navy: Earnings from navigation in Greece
16. Tourism: Earnings from tourism in Greece
17. PI_c : Price index of building materials and construction costs.
18. PI: General price index.
19. Dummy: Dummy variable taking the price of 1 in the 1960-1973 period and 0 in the 1974-1986 one. (All monetary variables in constant drachmas).

2. Consumption.

I will try to estimate the consumption functions using the O.L.S. method. There are many reservations on whether this method is appropriate in this case due to the obvious simultaneity problem. The Instrumental Variables method is therefore considered to be preferable. In various occasions though (see for example Patterson, 1991) both methods produced similar results.

Following a simple Keynesian way of thinking one could come up with a consumption function such as:

$$C = a_1 + b_1 Y_d + b_2 i \text{ where:}$$

C : domestic private expenditure on consumption

Y_d : disposable income

i : interest rates.

(the monetary variables are in constant prices.)

There seems to be a disagreement on whether nominal or real on the one hand, and long-term or short-term interest rates should be used in such equations. For the particular case of the Greek economy in the 1960-1986 period the best fit was obtained by the use of real long-term (for time deposits - more than six months) interest rates in the following estimated equation:

$$(1) \quad C = 14.754 + 0.806 Y_d + 0.017 \text{ RealLti} \\ (2.235) \quad (34.08) \quad (0.270)$$

(t-ratios in brackets)

$$R^2 = 0.983, \quad F(2, 20) = 589.17 \quad D.W. = 0.55$$

Besides the problem of autocorrelation this model presented, it included a statistically non-significant variable (Real Lti); an F-test revealed that this variable could be eliminated from the model. Therefore consumption as a function of disposable income only was tested:

$$(2) \quad C = 9.754 + 0.835 Y_d \\ (1.379) \quad (34.129)$$

$$R^2 = 0.978, \quad F(1, 25) = 1164.81 \quad D.W. = 0.46$$

The problem of autocorrelation proved to be relatively easy to deal with after the inclusion of C-1 (consumption in the previous year) as an independent variable:

$$(3) \quad C = 9.781 + 0.75 C_{-1} + 0.207 Y_d$$

(7.15) (21.81) (18.56)

$$R^2 = 0.998, \quad F(2, 23) = 7162.64 \quad D.W. = 1.46$$

$$X^2(1)=1.69, X^2(2)=2.07, F_1(4, 18)=1.40, X^2(3)=1.12, F_2(1, 22)=0.01$$

where:

$X^2(1)$: the X^2 value of the test for first order autocorrelation

$X^2(2)$: " " " " " " " " second " "

F_1 : the F test value of the test for heteroscedasticity

$X^2(3)$: the X^2 value of the test for normality

F_2 : the F test value of the test for omitted variables

Model (3) was tested for autocorrelation, normality, heteroscedasticity, omitted variables, A.R.C.H. (Autoregressive Conditional Heteroscedasticity) and functional form mis-specification errors and was found to be free of problems.

In order to include remittances Y_d was then disaggregated in two ways: first according to the identity:

$$Y_d = W + Pr + Y_{agr} + Rem - T_{dir} + TrG$$

and then as $Y_d = Rem + (Y_d - Rem)$. The first method of disaggregation produced the following estimated model:

$$(4) \quad C = 14.528 + 0.503 C_{-1} - 0.756 Rem + 0.202 W + 0.577 Profits$$

(2.170) (5.128) (-1.022) (1.931) (3.233)

$$+ 0.324 Y_{agr} + 0.822 TrG - 0.384 T_{dir}$$

(1.721) (4.255) (-0.707)

$$R^2 = 0.999 \quad F(7, 18) = 3251.70 \quad D.W. = 1.46$$

$$X^2(1)=2.43, X^2(2)=2.46, X^2(3)=0.71$$

which was found to be free of statistical problems (only tests for autocorrelation and normality could be carried out due to the insufficient degrees of freedom).

The "problem" of remittances being non-significant and negatively signed persisted even after eliminating other insignificant variables such as T_{dir} .

The second method of disaggregation produced the following estimated model:

$$(5) \quad C = 14.837 + 0.551 C_{-1} - 0.547 Rem + 0.362 (Y_d - Rem)$$

(6.504) (6.924) (-1.359) (5.032)

$$R^2 = 0.9988, \quad F(3, 22) = 6512.81, \quad D.W. = 1.11$$

$$X^2(1)=4.82, X^2(2)=5.35, F_1(6, 15)=0.73, X^2(3)=1.07, F_2(1, 21)=4.49$$

which again presented no statistical problems (here, more tests were possible because of the, relatively to model (4), more degrees of freedom), but remittances were still insignificant and negatively signed.

In an attempt to investigate, to a certain extent, all possibilities of remittances being a significant determining factor of consumption, various models were tested (logarithms, lags etc.) besides splitting the period, which was rejected by the F-test; all of them indicated that models (4) and (5) presented the best possible performance of remittances as an explanatory variable.

3. Imports.

Exactly the same methodology as in the case of consumption was followed for imports in general and imports of consumer and capital goods in particular. In the case of imports the investigation started with an import function such as:

$$M = a + b_1 Y_d + b_2 P_{Im}/PI + b_3 \text{Tariff}$$

(tariff t is derived from the formula: $P_d = (1+t) P_f$ where: P_d and P_f domestic and foreign prices respectively), in the sense that besides disposable income the tariff protection of the Greek economy and the relative price index may influence the expenditure on imported goods. P_{Im}/PI and tariffs proved to be insignificant and the import equations this analysis ended up with were:

$$(6) \quad M = -23.71 + 0.375 M_{-1} + 0.268 Y_d$$

$$(-3.290) \quad (3.134) \quad (4.974)$$

$$R^2 = 0.965, \quad F(2, 23) = 318.96, \quad D.W. = 1.87$$

$$X^2(1)=0.04, X^2(2)=2.70, F_1(4, 18)=3.83, X^2(3)=0.71, F_2(1, 22)=2.05$$

$$(7) \quad M_{cons} = -7.975 + 0.28 M_{cons-1} + 0.108 Y_d$$

$$(-2.797) \quad (1.868) \quad (4.769)$$

$$R^2 = 0.938, \quad F(2, 23) = 176.38, \quad D.W. = 1.82$$

$$X^2(1)=0.06, X^2(2)=0.16, F_1(4, 18)=1.65, X^2(3)=0.10, F_2(1, 22)=1.18$$

$$(8) \quad M_{cap} = -19.82 - 1.896 \text{Rem} + 0.3069 M_{cap-1} + 0.278 Y_d - 0.001 P_{Im}/PI$$

$$(-3.019) \quad (-1.927) \quad (1.501) \quad (3.34) \quad (-2.332)$$

$$R^2 = 0.954, \quad F(4, 21) = 109.3, \quad D.W. = 1.72$$

$$X^2(1)=0.72, X^2(2)=6.32, F_1(8, 12)=2.25, X^2(3)=0.14, F_2(1, 20)=1.61$$

which were found to be free of statistical problems.

Following the same procedure as in the case of consumption, the investigation produced the following models:

$$(9) \quad M = -60.868 + 0.044 M_{-1} - 2.707 \text{ Rem} + 0.702 W + 0.119 \text{ Profits} \\ (-3.283) \quad (0.197) \quad (-1.291) \quad (2.469) \quad (0.302)$$

$$+ 1.845 Y_{\text{agr}} - 0.268 \text{ TrG} - 1.435 T_{\text{dir}} \\ (3.157) \quad (0.613) \quad (-1.010)$$

$$R^2 = 0.947, \quad F(7, 18) = 112.06, \quad \text{D.W.} = 2.57 \\ X^2(1)=4.21, X^2(2)=5.44$$

$$(10) \quad M_{\text{cons}} = -17.31 - 0.137 M_{\text{cons}-1} - 0.567 \text{ Rem} + 0.388 W \\ (2.422) \quad (-0.637) \quad (-0.669) \quad (0.307) \\ + 0.173 \text{ Profits} + 0.489 Y_{\text{agr}} + 0.444 \text{ TrG} - 0.29 T_{\text{dir}} \\ (1.028) \quad (2.162) \quad (2.332) \quad (0.307)$$

$$R^2 = 0.9662, \quad F(7, 18) = 73.56, \quad \text{D.W.} = 2.05 \\ X^2(1)=1.45, X^2(2)=2.20, F_2(1, 17)= 1.76$$

$$(11) \quad M_{\text{cap}} = -39.046 + 0.174 M_{\text{cap}-1} - 1.986 \text{ Rem} + 0.519 W \\ (-2.374) \quad (0.682) \quad (-1.108) \quad (1.491) \\ + 0.0105 \text{ Profits} + 1.184 Y_{\text{agr}} - 0.344 \text{ TrG} - 0.88 T_{\text{dir}} - 0.00047 \text{ PIm/PI} \\ (0.029) \quad (0.289) \quad (-0.528) \quad (-0.695) \quad (-0.6045)$$

$$R^2 = 0.960, \quad F(8, 17) = 52.32, \quad \text{D.W.} = 2.24 \\ X^2(1)=1.63, X^2(2)=6.59, F_2(1,16)=0.47$$

$$(12) \quad M = -50.152 - 1.017 \text{ Rem} + 0.447 M_{-1} + 1.591 (\text{Yd-Rem}) \\ R^2 = 0.973 \quad F(3, 22) = 273.91 \quad \text{D.W.} = 2.45 \\ X^2(1)=0.05, X^2(2)=2.26, F_1(6, 15)=1.52, X^2(3)=0.37, F_2(1, 21)=1.94$$

$$(13) \quad M_{\text{cons}} = -8.164 - 0.594 \text{ Rem} + 0.058 M_{\text{cons}-1} + 0.162 (\text{Yd-Rem}) \\ (-3.453) \quad (-1.62) \quad (-0.305) \quad (4.88)$$

$$R^2 = 0.953 \quad F(3, 23) = 150 \quad \text{D.W.} = 1.83 \\ X^2(1)=0.005, X^2(2)=1.08, F_1(6, 15)=2.05, X^2(3)=2.13, F_2(1, 21)=1.75$$

$$(14) \quad M_{\text{cap}} = -17.027 - 1.202 \text{ Rem} + 0.222 (\text{Yd-Rem}) + 0.372 M_{\text{cap}-1} \\ (-2.687)(-1.375) \quad (3.044) \quad (3.044) \\ - 0.001 \text{ PIm/PI} \\ (-2.53)$$

$$R^2 = 0.951 \quad F(4, 21) = 102.42 \quad \text{D.W.} = 1.77$$

$$X^2(1)=0.34, X^2(2)=7.96, F_1(8, 12) = 3.12, F_2(1, 20)=0.73$$

4. Investment.

Including remittances as an explanatory variable in investment functions has a quite different meaning relatively to the consumption and import ones. In the consumption and import functions remittances represent one of the components of disposable income which according to the elementary theory can be either spent on consumption or saved. In an investment function, on the other hand, remittances represent a potential source of finance.

In a Keynesian way of thinking, the demand for investment will certainly be satisfied by transferring funds from various sources, one of which could be remittances. In fact, such an analysis seems to be fairly applicable to the case of Greece. In a rapidly growing economy, as the Greek one was in the 1960s and early 1970s, the reverse of Say's law (the demand for investment creating it's own supply) seems to be a quite logical assumption. In fact all macro-economic models on the Greek economy seem to be based on this way of thinking.

Given the above, the construction of an investment function including remittances is a fairly easy task. In fact, one may come up with a model including investment in the previous year, interest rates, remittances, relative prices and GDP or GDP growth (following the Keynesian accelerator process) as the basic explanatory variables, as follows:

$$I = a + b_1 I_{-1} + b_2 \text{ Rem} + b_3 \text{ Lti} + b_4 \text{ PI} + b_5 \text{ GDP (or GDP growth)}$$

As a matter of fact, besides the estimation of an aggregate investment function it would be very useful to come up with a particular model on investment in manufacturing, dwellings and the other (besides manufacturing and dwellings) sectors.

The econometric investigation produced the following estimated models:

$$(15) \quad I = -4.495 + 0.618 I_{-1} + 3.0 \text{ Rem} + 97.52 \text{ GDP}_{\text{growth}} - 0.136 \text{ Lti}$$

$$\quad \quad \quad (-0.74) \quad (3.963) \quad (3.01) \quad (1.69) \quad (-0.39)$$

$$R^2 = 0.948 \quad F(4, 23) = 91.18 \quad \text{D.W.} = 1.88$$

$$X^2(1)=0.12, X^2(2)=0.39, F_1(8, 12)=1.32, F_2(1, 20)=0.17 \quad \text{or:}$$

$$(16) I = -4.172 + 0.591 I_{-1} + 3.12 \text{ Rem} + 88.599 \text{ GDP}_{\text{growth}}$$

$$(-0.706) \quad (4.297) \quad (3.34) \quad (1.708)$$

$$R^2 = 0.948 \quad F(3, 22) = 134.64 \quad D.W. = 1.85$$

$$X^2(1)=0.17, X^2(2)=0.47, F_1(6, 15)=2.15, X^2(3)=1.1, F_2(1, 21)=0.34$$

$$(17) I_{\text{man}} = 0.393 + 0.613 I_{\text{man}-1} + 0.342 \text{ Rem} + 0.029 \text{ Lti}$$

$$(0.534) \quad (4.232) \quad (2.432) \quad (0.691)$$

$$+ 2.911 \text{ GDP}_{\text{growth}}$$

$$(-0.384)$$

$$R^2 = 0.546, \quad F(4, 21) = 110.42 \quad D.W. = 1.76$$

$$X^2(1)=0.06, X^2(2)=0.77, F_1(8, 12)=0.31, X^2(3)=1.21, F_2(1, 20)=1.47 \text{ or:}$$

$$(18) I_{\text{man}} = 0.226 + 0.655 I_{\text{man}-1} + 0.309 \text{ Rem} + 0.02 \text{ Lti}$$

$$(0.388) \quad (6.94) \quad (2.866) \quad (0.661)$$

$$R^2 = 0.954 \quad F(3, 22) = 86.05 \quad D.W. = 1.81$$

$$X^2(1)=0.001, X^2(2)=0.43, F_1(6, 15)=0.46, F_2(1, 21)=1.46$$

$$(19) I_{\text{rest}} = -2.20 + 0.54 I_{\text{rest}-1} + 2.221 \text{ Rem} + 34.05 \text{ GDP}_{\text{growth}}$$

$$(-0.45) \quad (3.329) \quad (3.108) \quad (0.71)$$

$$R^2 = 0.921 \quad F(3, 22) = 86.05 \quad D.W. = 2.06$$

$$X^2(1)=0.06, X^2(2)=2.32, F_1(6, 15)=3.36, X^2(3)=0.66, F_2(1, 21)=1.30$$

$$(20) I_{\text{dw}} = -1.668 + 0.409 I_{\text{dw}-1} + 0.915 \text{ Rem} + 54.583 \text{ GDP}_{\text{growth}}$$

$$(-0.545) \quad (2.55) \quad (3.077) \quad (2.334)$$

$$+ 0.004 \text{ PIc/PI}$$

$$(0.58)$$

$$R^2 = 0.797 \quad F(4, 21) = 20.67 \quad D.W. = 1.73$$

$$X^2(1)=1.07, X^2(2)=1.13, F_1(8, 12)=0.74, X^2(3)=0.52, F_2(1, 20)=0.95 \text{ or:}$$

$$(21) I_{\text{dw}} = -0.645 + 0.389 I_{\text{dw}-1} + 0.977 \text{ Rem} + 45.642 \text{ GDP}_{\text{growth}}$$

$$(-0.262) \quad (2.522) \quad (3.578) \quad (2.635)$$

$$R^2 = 0.794 \quad F(3, 22) = 28.30 \quad D.W. = 1.64$$

$$X^2(1)=1.76, X^2(2)=1.86, F_1(6, 15)=1.60, X^2(3)=0.38, F_2(1, 21)=0.26$$

Models 15-21 were found to be free of statistical problems.

5. An Interpretation of the Results of the Econometric Investigation.

Although a full analysis of the effects of remittances for the Greek economy will take place in one of the following sections of this

chapter, at this point the main conclusions to be reached from the econometric investigation could be summarised as follows:

1. Remittances seem to have had very little (if any) impact on private expenditure on consumption and imports. In fact, the other sources of income seem to have been significant determining factors of C and M. The low t-ratios and the negative signs imply a loose relationship between remittances and the other two macroeconomic variables (C and M) rather than a clearly negative one. The same conclusions apply to M_{cons} and M_{cap} as well. Generally speaking, the derivation of final conclusions is quite hazardous; the positive effect of remittances on C and the "boomerang" one on M however, is not at all clear despite (the more or less) common belief.

2. Equations 15-21 indicate that remittances have had a fairly important impact on investment in Greece. This should come as no surprise as far as investment in dwellings or even aggregate investment (where I_{dw} constitute a major contributor) are concerned. It simply justifies those who thought that remittances financed investment in dwellings to a very large extent.

3. What was fairly unexpected is the emerging role of remittances as an important source of finance for investment in manufacturing and investment in the other sectors of the economy. In fact, neither the mainstream theory, nor the literature on emigration from Greece provides for such an outcome. One could explain these findings in a number of ways:

-the fact that remittances directly financed investment in dwellings caused a relative overexpansion of the related industrial branches (building materials etc.) rather than the manufacturing sector (and its export and import substituting branches in particular) in total. The demand for building materials in Greece was mainly satisfied by domestic supply and to a lesser extent by imports. The apparent relationship between Rem and I_{man} therefore could simply be a relationship between remittances and investment in the aforementioned industrial branches.

-One could look (or at least start looking) for an explanation of the apparent relationship between remittances (Rem) and investment in the other sectors (I_{rest}) by examining which are the main "other" sectors. In fact, agriculture and services are by definition these "other"

sectors. Given this, the relationship seems to make sense; since most of the emigrants came from the agricultural sector, it is quite logical to assume that (at least) some of them chose to invest in agriculture upon return. Besides that, the strong propensity of returnees to undertake independent employment in small (and self-financed from remittances mainly) business in the tertiary sector, could serve as an additional means of explaining that.

D. AN EVALUATION OF THE REMITTANCES FOR THE GREEK ECONOMY.

We could distinguish two kinds of effects of remittances on the economy of the emigration country, Greece in this particular case: The direct effects on the balance of payments and the external finance and the indirect ones from the use of remittances for investment or consumption.

From the analysis in the first section of this chapter, a series of conclusions could be derived; since 1960, the starting year of the massive emigration to Western Europe and until 1972, the last year of the rapid growth of the Greek economy with low unemployment and relative price stability, remittances had been continuously covering an almost constant part of the structural and constantly growing trade deficit of Greece (30-36%). Seen in a slightly different way, remittances had been covering an almost constant share of the expenditure on imports (20-23%). Since 1954, remittances had been equal to 70-90% (for some years 100%) of the expenditure for imports of capital goods as we can see in table II-4 and figure II-2 (Glitsos, 1987, p. 98)..

These, almost parallel, developments of remittances and the Greek balance of payments (the trade deficit and imports) change after the appearance of the recession in 1973; since then the ratio remittances / trade deficit (or imports) has been constantly falling. This deterioration could have been even more impressive had imports (especially of capital goods) not been diminishing in the 1980s due to the recession in investment. As a result, by 1982 remittances were only covering 17.6% of the trade deficit or 9% of the expenditure for imports (48% of the expenditure for the imports of capital goods)

(Glitsos, 1987, p. 98).

From the analysis so far, the undeniable contribution of the remittances in the Greek balance of payments has been shown. Remittances, as a major source of foreign exchange, functioned as a life boat for the Greek balance of payments, relaxed the balance of payments constraint and prevented for many years the over expansion of the deficit and the external debt of the country (Zolotas, 1966, pp. 42-43). On the other hand though, this short-term solution to the problem of the trade deficit caused by a poor export performance and a high propensity to import, concealed the real dimensions of the problem and functioned as a delaying factor of underestimation of its size.

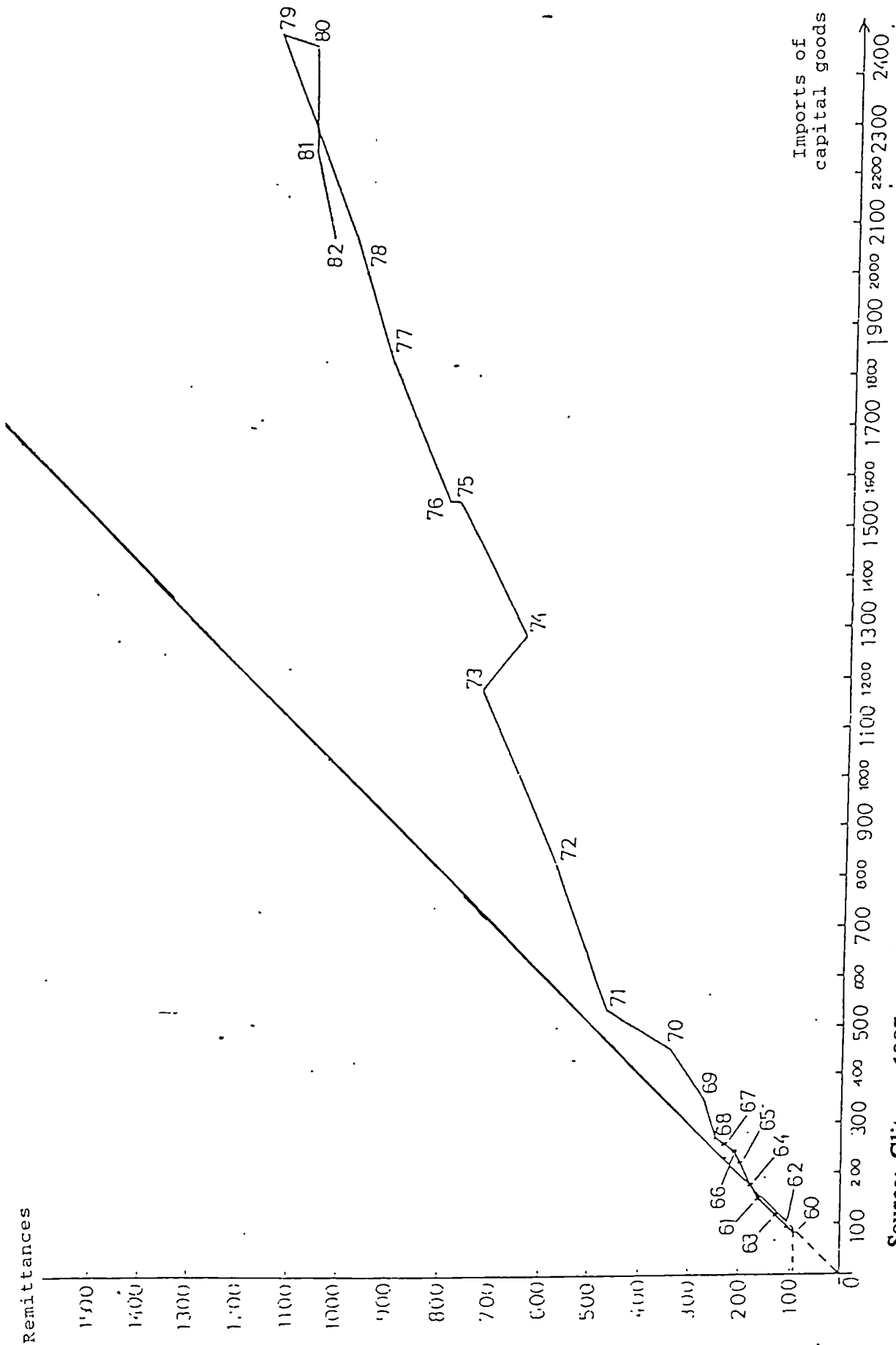
Remittances and invisibles in general, by relaxing the balance of payments constraint, allowed for a level of consumption and imports that would not be possible otherwise. Besides that, it appears that Greek policy makers took invisible earnings and remittances in particular, for granted, in the sense that the "antidote" for the structural trade deficit of the country had been found.

Table II-4: Remittances as a percentage of the trade deficit, imports (M) and capital goods (Mcap). (1960-81)

Year	Rem/Trade def.	Rem/M	Rem/Mcap
1960	31.3	18.4	106.5
1961	32.5	19.0	92.2
1962	35.0	21.7	78.0
1963	38.7	23.0	102.2
1964	31.6	20.4	80.8
1965	29.9	20.2	78.7
1966	31.6	20.5	83.4
1967	33.0	20.1	74.9
1968	30.7	19.2	71.7
1969	30.8	19.4	69.1
1970	31.5	20.2	66.6
1971	35.5	24.1	78.5
1972	35.8	23.5	70.2
1973	26.1	18.2	62.3
1974	22.4	13.8	50.3
1975	25.7	15.4	50.6
1976	24.1	14.4	51.9
1977	23.7	14.4	51.9
1978	22.7	13.4	48.8
1979	18.9	11.5	47.3
1980	15.9	9.9	44.3
1981	16.1	9.4	48.2

Source: Glitsos, 1987, p. 99.

Figure II-2: Remittances and imports of capital goods.



Source: Glitsos, 1987, p. 103.

Trying to solve a structural problem (the trade deficit) by a conjunctural and external solution as remittances, proved to be a mistake (Negreponi-Delivani, 1981). The levels of exports and imports are determined by factors completely different from those that determine the size of invisible receipts. They may, therefore, move in the same direction as they did in the 1960s and early 1970s (as a matter of coincidence as it appears to have been) as well as in opposite directions as they did after 1973 especially if we take into account the loose relationship between remittances and imports revealed in the previous section of this chapter.

Having analysed the impact of remittances on the Greek balance of payments, the next thing to do was to examine their impact on several particular macroeconomic variables of the Greek economy, namely consumption, savings and investment. The ultimate task of this examination is, after all, to investigate the impact of remittances on the Greek economy; existing studies on this subject and the econometric investigation of the previous section of this chapter are the main sources to be used here.

As far as the impact of remittances on domestic expenditure for consumption is concerned the following points could be made:

a) It is true that in the period of massive emigration (1960-1973) emigrants were remitting money to their families in Greece; since low income people were receiving that money, it may be assumed that there was a high propensity to spend on consumption up to a certain point. After the satisfaction of some basic consumption needs though the marginal propensity to spend the income from remittances on consumption is expected to fall; this could be explained in terms of the basic motives of emigrants: people do not usually emigrate simply because they want to provide an income their spouses may spend on consumption, mainly in the case of temporary emigration. Even when this is the case though, it does not last for long; after having acquired an acceptable level of consumption for their families, emigrants will tend to accumulate money they can use upon return, either for the construction (or simply the improvement or the purchase) of a house. Alternatively they could use this money for financing a small business. Several studies (Emke-Poulopoulou, 1986) indicate that this was exactly the case in Greece.

b) A careful look at the data suggests that private domestic expenditure on consumption and remittances were moving in parallel, in the period 1960-1973; this doesn't necessarily imply a close positive relationship between these two variables all through the period though, for two main reasons: the first one can be found in point a); the second one has to do with the fact that in a rapidly growing economy as the Greek one was until the appearance of the economic recession two variables may present parallel trends without being correlated to a great extent. The econometric investigation in the previous section indicates that this was exactly the case between consumption and remittances.

c) In a particular study by Glitsos (1987, p. 150) the following point is made: "...what matters is the contribution of remittances in the growth of expenditure on consumption and not the absolute figure or, in other words, what would the change in consumption (increase or fall) be had remittances been equal to zero..." By following this way of thinking, Glitsos comes up with the conclusion that, especially in the years of economic recession, (1974, 1981) the contribution of remittances to the changes of expenditure on consumption was stabilising and that, without the remittances, consumption and the welfare level of the Greek population would have fallen much more after 1981. Besides the fact that these points are not supported (in fact they are rejected) by the econometric investigation, they could be tackled in the sense that since 1981 remittances have been falling both in absolute terms and as a part of disposable income, at such a rate that even if the marginal propensity to spend income from remittances on consumption had increased substantially, the overall impact on consumption would be minimal.

d) From the analysis so far it appears to be, that the impact of remittances on consumption has been exaggerated by many other authors; this should come as no surprise. In fact a close relationship between consumption and remittances for a period as long as 27 years (1960-1986) implies the following scenario: emigrants leave Greece where their income and therefore their level of consumption expenditure is very low and seek employment in Western Europe (mainly West Germany); in the immigration country they work very hard and try to spend on consumption as little as possible. By doing this they are able

to remit relatively large sums of money to their spouses who spend it on consumption; alternatively they save it (especially when they are accompanied by their families) and spend it on consumption upon return to Greece. Given the fact that the per emigrant remittances have been increasing (in constant drachmas as well as in U.S \$) this scenario would imply either a very strong imitation effect (difficult to accept for the Greek periphery where the per capita consumption is relatively low) or a constant marginal propensity to spend the income from remittances on consumption. In a once and for all emigratory flow (all emigrants leaving within say one year) one could expect the MPC on income from remittances to vary considerably over time according to the analysis so far in this paragraph. In the particular case of remittances to Greece in the postwar period though, one should take into account that the temporary nature of emigration led to a continuous flow of emigrants and returnees. Surprising as it may seem at first sight, this fact could have led to a relative stability of the MPC (compared to the case of an once and for all emigration); the bulk of the people receiving remittances consisted of different groups of people in terms of length of period they have been receiving remittances, each group presenting a different MPC. Assuming that the proportionate size of each group did not change considerably over time, one could accept the fairly constant overall MPC hypothesis.

The impact of remittances on imports is the next issue to be examined; the relationship between remittances and imports deserves further examination since one of the main reservations on the positive effects of remittances provided by the economic theory is the so called "boomerang effect".

According to several studies of the Greek Centre of Planning and Economic Research (KEPE) the marginal propensity to import of remittances is relatively higher than the one of the domestic sources of income. In 1974, 7% of the remittances were spent on imports; for 1964 the corresponding percentage was a little lower and for 1981 a little higher than 7%. (Glitsos, 1987, p. 151)

In table II-5 we can see the expenditure of remittances on imports for 1964, 1974 and 1981 by group of imported goods. These estimations indicate that the people who were receiving remittances increased their imports (both directly and indirectly) by 60% in 1964 and by 40% in

1974 and 1981 due to their increase in disposable income caused by the remittances. For the economy as a whole though, the contribution of remittances in the financing of imports never really exceeded 1% (Glitsos, 1987, pp. 152-153).

Table II-5: Spending of remittances on imports by group of goods and services.

Group of goods and services	% of imports in total expenditure (1970)	Spending of Rem. on imports (mil drs)		
		1964	1974	1981
Food	8.8	193.5	580.8	2305.9
Beverages & Tobacco	2.5	4.5	25.1	65.4
Clothing & footwear	3.0	24.8	90.2	221.4
Housing	1.8	8.6	42.5	118.5
Durable domestic goods	15.9	74.1	272.4	583.7
Health	12.6	39.1	121.1	482.2
Education, amusement	8.9	23.1	148.7	260.6
Transportation	6.0	20.2	92.7	248.3
Miscellaneous	1.6	4.1	10.0	43.1
Total	7.1	392.0	1385.5	4329.1

Source: Glitsos, 1987, p. 152.

This last point, which is in accordance with the findings of the econometric investigation of the previous section is of great importance; it indicates that the "boomerang effect" of remittances on imports has in fact been exaggerated by the previous studies (Nikolinakos, 1973, 1974 and 1977, Zolotas, 1966) carried out in the late 1960s and early 1970s.

The fact that remittances do not appear to have financed private domestic consumption expenditure and imports to a great extent, especially as far as durable goods are concerned could be attributed to the fact that emigrants were (and still are in fact) allowed to bring in their household equipment plus other durable consumer goods tax free. Emigrants and their spouses therefore, need not spend their income from remittances for the purchase of such goods (domestically produced or imported) in Greece since they could be purchased from abroad.

As shown in chapter 2, Greece in the postwar period, witnessed surprisingly low (for a developing country) levels of investment. In

this context of a general relative recession of investment in Greece the expectations one could have in terms of remittances stimulating a high level of investment should not be very high.

Following the definition of investment as creation of new capital, changes in stocks of semi-finished goods and the construction of new buildings, facilitates the analysis. With the exception of returnees becoming entrepreneurs themselves (which was not often the case in Greece) (Secretariat General of Greek Emigrants, 1990, pp. 214-216) remittances can influence the construction of buildings directly and the other two items of investment indirectly, through increases in the aggregate demand. The findings of previous studies and the econometric investigation in the previous section of this chapter lead to the conclusion that this was the case in Greece.

A great part of remittances finances the construction of houses and buildings for two sets of reasons: the first one has to do with the emigrants' strong propensity to invest in the building sector; the second one has to do with the absence of any policy measures aiming at channeling remittances to other kinds of investment.

The strong propensity to invest in buildings could be explained in terms of the emigrants' desire to buy a new flat in a city or to build a new house in their home town of origin in which they planned to live after their repatriation; alternatively, many of them thought that the building sector had the highest rate of return or security and therefore preferred to use remittances in order to purchase houses and rent them. Given the underdevelopment of the Greek stock market and the fact that the per emigrant remittances were not high enough to finance the establishment of a manufacturing unit, it seems quite natural that remittances mainly financed either the purchase of houses or small business mainly in the tertiary sector (Poulopoulou-Emke, 1987). It is indicative that 40% of the construction of houses in Thessaloniki in 1965 was financed by remittances from West Germany; the corresponding figure for the middle-sized cities of Northern Greece was 80% (OECD, 1967, p. 47).

Unlike other emigration countries like Turkey (see Paine, 1974), no policy measures aiming at transferring remittances to industrial investment were ever applied in Greece. The only policy measure adopted was the special interest rates for the deposits of emigrants (mentioned

at a previous section of this chapter) which, in fact, was aiming at maximising the volume of remittances rather than maximising the benefits from their use. This point is of great importance; already by 1965 OECD was warning Greek policy makers of the high propensity of remittances to finance the purchase of houses and the relative implications and of the fact that the only alternative use of remittances was the finance of small inefficient units (small stores, taxis etc.) with extremely low productivity which were intensifying parasitism (here defined as any kind of non-productive economic activity and self-employment (see OECD, 1965 and 1967). Surprisingly, no measures were adopted until the early 1980s when it was very late, since remittances were constantly falling since the early 1970s. Generally speaking, it appears that the Greek policy makers were only interested in remittances as a source of exchange for the covering of the trade deficit.

This direct relationship between remittances and investment in dwellings was indicated in all the studies on the impact of emigration on the Greek economy (see Kayser, 1977 and Glitsos, 1987). What was not identified though was the relationship between remittances and investment in general or, in other words investment in the other sectors of the economy besides dwellings. This was probably due to the fact that in very few of these studies were quantitative methods used and, as a result, the conventional analytical tools only allowed for the identification of the direct impact of remittances on investment in dwellings.

The growth of remittances coincided with the acceleration of investment and their deceleration coincided with the recession in investment. Although one could hardly say that remittances directly financed investment in manufacturing, it can be assumed that the expansion of the construction sector (attributable to a great extent to remittances) was accompanied by an expansion of the industrial branches related to constructions. In fact from the analysis in chapter 2, it became obvious that these industrial branches have been the most dynamic ones in the period of economic prosperity.

The main question to be answered at this point, under the apparent relationship between remittances, investment in dwellings and expansion of the industrial sectors related to constructions is whether this

relationship had positive implications for the development of the Greek economy or not. In a positive way of thinking, it seems that remittances and the aforementioned mechanism, in general, have been a positive factor for economic development in Greece. Both the previous studies and the findings of the econometric investigation support this conclusion. In a normative way of thinking though one could end up with exactly the opposite conclusion.

Given their size and their relative importance as a source of foreign exchange, remittances could have been one of the main driving forces for the development of the Greek economy. Under the conditions of the dual-gap model, remittances clearly covered the investment-savings gap; they could also have covered the import-export one leading the country to self-sustained growth through financing investment in export or import substituting branches. The econometric investigation revealed that this did not happen. Remittances financed investment in either dwellings or branches with a limited export or import substituting potential. The dual-gap conditions have to do with the allocation of remittances as a source of finance in the different sectors of the Greek economy and their operation in an integrated plan for the economic development of the country. Under the circumstances emigration and remittances evolved in the case of Greece in the postwar period and given the level of economic development of the country, it seems that a certain amount of planning was needed or, in other words that the "laissez faire" principle could hardly guarantee any success. In any case, the absence of government policy and any other mechanism transferring remittances to the most dynamic and vital for economic development sectors of the economy deprived the country of the opportunity to make the best out of remittances.

There are some more aspects related to the effects of remittances on the Greek economy such as their impact on inflation and regional development, but these will be dealt with in the following chapters of this part of the thesis.

C H A P T E R S E V E N

" OTHER SHORT-RUN ECONOMIC EFFECTS OF EMIGRATION FROM GREECE TO THE E.C. COUNTRIES "

Although quite significant in terms of their economic impact (as the analysis of the previous chapter indicated), remittances represent only one of the short-run effects of migration. There are several others that could be taken into consideration in order to complete the analysis of the short-run effects of emigration from Greece to the E.C. countries. In particular, economic theory (see chapter five), suggests that the decision to emigrate implies individual effects for the emigrants; furthermore, emigration has an impact on the labour markets, wages, the price levels and income distribution in the emigration as well as the immigration countries. Finally migration may influence the trade, and therefore the balance of trade of both groups of countries. In the following sections of this chapter an attempt will be made to analyse whether the aforementioned effects have been applicable to the case of emigration from Greece to the E.C. countries.

A. THE EFFECTS OF EMIGRATION FOR THE EMIGRANTS.

Besides the effects of emigration for the emigration and the immigration countries, the decision to emigrate affects the emigrants individually. Normally the presence of emigration indicates that the benefits from emigration are more than the consequent costs, since otherwise, emigration would not have occurred, or even if it had started it would soon have ceased that is, if emigrants had found out that emigration proved to be a mistake (Sjaastad., 1962, p. 80).

The decision to emigrate is assumed to be taken according to the expected rather than the current effects it will produce. The fact that during the 1960s one third of the immigrants in Western Europe "broke" their contracts (the function of contracts was analysed in chapter three) and returned to their home countries before the end of their contracts, simply indicates the divergence between the expected and the actual effects of migration as well as the existence of a very high cost of migration (Kindleberger, 1967, p. 197).

In the case of Greece, the evolution of emigration and repatriation, shows that even in the periods when emigration was accelerating, a considerable number of people preferred to return to Greece, (Korner, 1984, p. 235). This fact suggests that besides those who returned after

having achieved what they were aiming at by emigrating (building up savings), many Greeks returned simply because their hopes were not fulfilled. It is true that the Greek governments adopted policies of full information of the potential emigrants on the environment they would face in the immigration countries (Kindleberger, 1967, p. 199). The existence of such policies though, cannot guarantee that the citizens of a country will realise and evaluate the possible effects of emigration precisely.

We could briefly analyse the effects of emigration for the Greek emigrants as follows:

1. The Positive Effects for the Greek Emigrants.

Given that the postwar migratory flow from Greece to the E.C. absorbed mainly the unemployed of the cities and the underemployed of agriculture (chapter three), we could say that emigration solved the employment problem for a considerable part of the Greek population. Especially for those who emigrated under the bilateral agreements, employment was guaranteed before leaving Greece, (Mantzouranis, 1974). Until the appearance of the economic recession, the unemployment of Greek emigrants in West Germany was negligible (table I-35) and the unemployment rate of the immigrants was much lower than the corresponding one for the native labour force. Things changed dramatically after 1974 though; unemployment hit Greek immigrants in the E.C. countries and many of them had to return to Greece after looking for employment in vain for a period of time.

The main "monetary" benefit for the immigrants from working abroad is the attainment of a higher income due to the differences in real wages between the two groups of countries. One could add the possible differences in social security, education etc. to these benefits. The relation of incomes in Greece and the E.C. countries could have been indicated by the relation between wages in similar sectors (heavy industry for example), but such an attempt would not be indicative of the monetary benefits of emigration. The finding of a job for the Greek emigrant in the E.C. countries simply meant a movement from an income level close (or even below) to the subsistence level (for the employed and the underemployed) (Connel et al, 1976, pp. 17-18), to an income level corresponding to the wage level of an industrial worker in the

E.C. countries; this wage rate was 2.5-3 times higher in nominal terms than the one they would get by finding a job (which was very difficult as mentioned) in the Greek industry. The Greek immigrants seem to have had a very low propensity to consume and were able to remit considerable sums of money to their families. One could, therefore, conclude that, especially before the recession emigration produced a positive net monetary effect for the emigrants.

2. The Negative Effects for the Greek Emigrants.

The negative effects of emigration for the emigrants, the so called, "cost of migration", can be divided to the monetary and the non-monetary ones (Sjaastad, 1962).

The monetary cost of migration consists of all the transportation and establishment expenses borne by the emigrant plus any wages foregone for the period he stops working in his country of origin until the day he starts working in the immigration country. As far as the wages foregone are concerned we could say that, even though there is no statistical evidence, this cost item was not very high in the case of the Greek emigrants for two main reasons:

- a) A large part of the emigrants were unemployed or underemployed before emigrating (chapter three), and
- b) Since they were moving according to the bilateral agreements they undertook employment just after arriving in the immigration country.

As far as transportation and the establishment costs are concerned, one could conclude that this cost was considerably high (compared with the per capita income in Greece in that period) and, in many cases emigrants had to spent their savings or even borrow in order to finance their movement (Mantzouranis, 1977).

The various consisting parts of the "non-monetary" or "psychic" cost of emigration (Sjaastad, 1962) provides a fairly comprehensive list of these parts), may prove to be quite significant. Aspects such as the homesickness and the uncertainty of the immigrants could be included in this category. One should keep in mind though, that in the case of the Greek immigrants in the E.C. countries special arrangements were in operation and they could leave their job and visit Greece without any repercussion for a period of two months per year (Kindleberger, 1967, p. 198).

Besides their nostalgia, Greek immigrants in the E.C. countries were faced with a series of problems which could be listed as follows:

- a) Low standards of living due to a very low level of expenditure (relatively to the ones they could have, given their income) due to their desire to maximise remittances (Mantzouranis, 1977).
- b) Bad housing conditions relatively to the native workers due to a) and the shortage of houses (Castles and Kosack, 1985, pp. 241-270).
- c) Rough working conditions and high accident ratios (Hatzipanayotou, 1977) mainly because of their anxiety to increase their productivity and therefore their income (Mantzouranis, 1977).
- d) Prejudice and hostility from their native colleagues for many reasons and particularly because of the increase of the production norm and the lowering of real wages because of the increased labour supply, due to the immigrants (Castles and Kosack, 1985 pp. 241-70).

B. THE IMPACT OF MIGRATION ON THE LABOUR MARKETS OF GREECE AND THE E.C. COUNTRIES.

1. The Effects of Emigration and Repatriation on the Greek Labour Market.

As analysed in chapter five, emigration may lower unemployment and underemployment in the emigration countries, while the level of production is unaffected. This could be true under several strict assumptions (e.g. zero or even negative marginal productivity of labour in the emigration country prior to emigration). These assumptions are necessary in order to accept the unaffected production hypothesis of the above argument.

Emigration causes a shift of the short-term aggregate supply of labour curve to the left for the emigration countries and to the right in the immigration ones.

In many cases and as far as the impact of emigration on the labour market is concerned the following error can be made: the emigration of a certain number of people is considered as an equal fall in the number of unemployed and underemployed. This is an oversimplification the error being that it is not sure that those who emigrate were accounted in the labour force of their country of origin for two reasons:

- a) A certain part of those who emigrate are relatives of the emigrant

workers (family emigration); these people were not active before emigrating and they are very unlikely to become so after emigrating. This has been the case with the postwar intra-European emigration since the late 1960s (Bohning, 1975).

b) A part of the emigrants were not active in their country of origin but they become so in the immigration countries (e.g. women) (Paine, 1974, p. 39). The validity of this argument, of course, depends on the definition of economically active (e.g. should one include housework in economic activity?)

It is also possible that some of the dependents of the emigrants in the home country will cease to work (or look for work) because they receive the remittances (Paine, 1974 p. 39).

In the case of the postwar emigration from Greece the above reservations do not seem to apply, at least not in the 1960s, mainly because emigration was not of a family type in the beginning and the participation rate of women was extremely low as we have seen in chapter three; we cannot therefore accept that a considerable number of emigrants' wives ceased to work because of remittances.

The impact of emigration on the labour force of Greece was really impressive. Between 1961 and 1971 the labour force of Greece fell by 404,000 people (15 % of the labour force in 1971) or 1.2% annually (KEPE, 1976, p. 51). As a result the female participation rate (defined by KEPE as: $\text{women labour force} / \text{total labour force}$ - the usual definition being: $\text{women labour force} / \text{women population}$) fell from 43.4% in 1961 to 36.9% in 1971 and 36.4% in 1975 (KEPE, op. cit.).

As already mentioned in the first part of the thesis, the Greek economy in the postwar period was faced with a severe problem of absorbing the unemployed of the cities and the underemployed of agriculture in spite of the considerable increase of GDP. It was also mentioned that the pattern of development in the postwar period did not allow any optimism as far as full employment was concerned. Given these conditions, the emigration of a considerable part of the labour force functioned as a "safety valve" (Pouloupoulou-Emke, 1986, p. 256) for unemployment. This function of emigration prevented a further increase of unemployment and underemployment with several economic, social and political implications.

The reduction of unemployment in Greece due to emigration, especially

for the period of massive emigration (1960-1974), can be estimated by a simple method used by the OECD (1985, pp. 56-7); according to this method (which is very simplistic, not to say naive) the number of emigrants is added to the number of the unemployed and the sum is divided by total labour force; the rate found is the unemployment rate had emigration not occurred. The logic of this method is based on the implicit assumption that emigration has no impact on demand or capital formation. Besides that, there are two problems with this method: the first one has to do with the reservations expressed in the beginning of this paragraph on whether emigrants were active in their country of origin; we therefore have to assume that these reservations are not valid in the case of Greece. The second one is the permanent problem of the credibility of the Greek statistics on unemployment. In table II-6 (at the end of part II) which is used following the OECD method, only registered unemployment is taken into account; as a result, unemployment for 1961 was estimated to be 80,000 people while the census of that year revealed 215,000 unemployed (Poulopoulou-Emke, 1986, p. 255). Even under these reservations though, table II-6 shows how registered unemployment would have evolved, had emigration to the E.C. countries not taken place (under the assumption that all those who emigrated would qualify for registered unemployed).

The conclusions on the reduction of unemployment due to emigration (at least to a considerable extent) are still valid even if we use the figures of the 1961 and 1971 censuses (which are much more reliable). In 1961 there were 215,000 unemployed (5.9% unemployment rate), the corresponding figures for 1971 being 113,000 people (3.49% unemployment rate) (op. cit.).

Emigration clearly affected the Greek labour market but, as already mentioned, it evolved almost completely independently of the evolutions in that market. This unplanned and uncontrolled (as far as Greece is concerned) way emigration evolved (Kominos, 1964, p. 3) left Greece, in the early 1970s, with exactly the opposite problem it had in the previous decade. Within a period of ten years that is, Greece had lost its reserves of labour and was witnessing a relative shortage of labour due to emigration (Lianos and Milonas, 1975, p. 8). This evolution was predicted as early as the early 1960s by several economists (Papandreou, 1962, Kominos, 1964) who were stressing the fact that the

arguments on the labour surplus were overestimating the size of this surplus.

Table I-6 The registered unemployment in Greece with and without emigration to the E.C. countries (1960-74).

Year	Labour force (1)	Registered unemployed (2)	Emigrants to the EC countries (3)	Unemployed without emigration (4=2+3)	% of regist. unempl. (2/1)	% of unempl. without emigrat. (4/1)
1960	3558000	93000	25317	118317	2.61	3.32
1961	3638700	80000	35890	115890	2.19	3.18
1962	3603100	79000	57997	136997	2.19	3.80
1963	3567600	76000	72052	148052	2.13	4.14
1964	3532000	71000	78121	149121	2.01	4.22
1965	3496400	70000	85531	150531	2.00	4.30
1966	3460900	70000	51268	121268	2.02	3.50
1967	3425300	89000	14100	103100	2.59	3.00
1968	3389800	78000	22381	100381	2.30	2.96
1969	3354200	71000	61339	132339	2.11	3.94
1970	3318700	49000	67657	116657	1.47	3.51
1971	3234900	30000	41986	71986	0.92	2.22
1972	3261400	24000	28642	52642	0.73	1.61
1973	3260100	22000	14293	36293	0.67	1.11
1974	3248900	27000	10268	37268	0.83	1.14

Sources: a) ESYE, Statistical Yearbook, (various issues).
b) Hatzipanayotou, 1982.
c) Own calculations.

There were signs of this forthcoming shortage of labour since the mid-1960s, but in the early 1970s it became clear that Greece had a labour shortage problem (according to an estimation by Nikolinakos (1973), this shortage was in the area of more than 20,000 workers although Nikolinakos does not explain how this shortage was measured). The situation by sector was the following:

-In the agricultural sector, the labour force had decreased by 13% in the period 1961-1971 and the labour shortage in the crop periods (to a large extent seasonal demand for part-timers) varied from 11% to 22% (job vacancies unfilled-unemployed\employed) (op. cit).

-In the civil sector of the Greek economy the problem emerged in the form of a shortage of unskilled labour, since the shortage of skilled labour had been a permanent problem for Greece all through the postwar period (KEPE, 1976, p. 5) and this one of the reasons why the Society

of Greek Industrialists was pressing for the import of unskilled labour from less developed countries, besides the fact that they wanted cheap foreign labour, as the Greek one was becoming more expensive.

The reversal of the migratory flow after 1974 with the fall in emigration and the rise of repatriation changed to a great extent the situation in the Greek labour market. Contrary to what one might expect though, repatriation in spite of its size did not lead to a rise in unemployment, at least not until the early 1980s even though it coincided with the economic recession (Poulopoulou-Emke, 1986, p. 270).

This paradoxal, at first sight, phenomenon can be explained on the ground of the preference of the returning emigrants for self-employment (OECD, 1979). As we have seen in chapter three, most of the Greek returning emigrants ended up in self-employment (although dependent employment was available as an alternative in most cases); by doing so, return emigrants did not compete with those looking for employment and they were not added to the unemployed (Poulopoulou-Emke, 1986).

The postwar emigration and repatriation also affected the structure of the Greek labour force; in particular, both the sectoral and the professional (farmers, wage-earners, self-employed) composition of the labour force were considerably changed. As derived from the data on the characteristics of emigration and repatriation (chapter three), emigration absorbed a considerable part of the labour force of agriculture; given that very few of the returning emigrants returned to agriculture, it is clear that the whole process facilitated and accelerated the exodus from agriculture in Greece. The civil sectors of the economy and particularly the tertiary one benefited from this process.

2. The Impact of Immigration on the Labour Markets of the E.C. Countries.

For the immigration countries, immigration represents an increase of the labour force. As we have seen in chapter five, in theory this de facto increase of the labour force may shift the short-term supply of labour curve to the right, with significant effects on wages (they are kept at low levels), on profits (they are kept at high levels), on investment and the price level (Kindleberger, 1967, p.200) which will be further analysed in the following sections of this paragraph. Some

times, immigration is considered as a factor increasing unemployment in the immigration countries. What really happens in many cases, is that this "import" of labour follows the excess demand for labour in the immigration countries which cannot be satisfied by the domestic labour market (Bohning, 1984, p. 87). In such a case immigration does not cause an increase in unemployment.

As already mentioned (chapter two), most of the Western European countries at least for a part of the 1960s, faced a pressing problem of labour shortage (Lutz, 1963, pp. 6-7) which could constrain their economic growth.

The massive inflow of immigrants increased employment in the E.C. countries considerably (Denison, 1967, p. 51) and especially in West Germany where immigrants represented 7% of the labour force (Coale, 1976, p. 493).

It is sometimes over stressed that immigrants replace domestic labour and that generally immigrants and at least some parts of the native labour force are competitors (Reder, 1963). For West Germany in particular, in spite of the massive inflow of immigrants, the total annual hours of work did not change significantly (which could be interpreted as a sign of immigrants "replacing" indigenous workers, or simply that native workers may have been on and off working fewer hours) (Blitz, 1977, p. 487). In fact, this observation (interpreted in the first of the above two ways) has been the main (if not the only) supportive one to the above argument.

Both the argument and the supportive observation are doubtful though; first of all the observation on the stagnation of the annual hours of work does not take into account two very important factors: a) Since the early 1960s the trade unions in all Western European countries pressed for and finally achieved a reduction of the weekly hours of work (Boltho, 1982, p. 177) and b) in many cases the employment of immigrants replaced the overtime or complementary employment of the native labour force (Castles and Kosack, 1985, p. 57) with very important positive effects on labour productivity, which is not even taken into account by the aforementioned observation.

Even if one accepts that some competition over jobs (probably not very intense in this case) has taken place, the argument of the competition between the two groups of workers could be partially

rejected by taking into account the position of the immigrants in the labour force of the immigration countries. In the particular case of Greek-German migration, immigrants were employed almost exclusively as unskilled industrial workers, undertaking in many cases the so called heavy and unhealthy jobs competing, therefore, only with the low skill native labour (op. cit. p. 4). By taking the last step in the ladder of the hierarchy of professions, immigrants facilitated the climb of the native labour force on a higher step and mainly to white collar work, which could not be claimed by the immigrants in any case (Bohning, 1984, p. 88).

C. THE IMPACT OF MIGRATION ON THE LEVEL OF OUTPUT AND GDP GROWTH.

1. The Greek Economy.

The analysis of this section will deal with the impact of emigration on the evolution of GDP in Greece on a short-term basis and without relating this impact to the medium-term effects on economic development. What is to be examined in other words, is whether GDP in Greece in the period of massive emigration (1960-1973) would have been higher, had emigration not occurred.

A careful look at the relevant literature reveals that, contrary to the case of the immigration countries where there have been many estimations of the impact of migration on the GDP growth (see Askari, 1974, Quibria and Rivera-Batiz, 1989), there are very few (if any) such estimations for the emigration ones; this conclusion, of course, applies to the case of Greece too. According to the theory (chapter one), the impact of emigration on the GDP of the emigration countries should be examined from the demand and the supply side simultaneously.

In the case of Greece, the increase of emigration coincided with the acceleration of GDP growth and per capita productivity; this does not necessarily imply a positive relation between these factors. The final conclusion can only be derived indirectly and the econometric investigation of the previous chapter may prove to be helpful in that. On the one hand remittances did cause an increase of aggregate demand (although their main effect was a change in the structure of consumption), but on the other, emigration reduced potential supply;

especially in the agricultural areas of the country (which were the main destination of the remittances after all), they facilitated the adoption of consumption patterns very much similar to those of the big cities (Pouloupoulou-Emke, 1986, p. 292). It has already been stressed (chapter six) that remittances financed only to a limited extent the purchase of domestic goods. This fact proved to be of great importance, especially for the Greek industry which was facing the permanent problem of the small domestic market (Negreponti-Delivani, 1983), and did not benefit significantly from the inflow of the remittances (Triantis, 1965, pp. 218-219), the possible exception being the manufacturing sectors related to dwellings. On the other hand though, the findings of the previous chapter suggest that remittances proved to be a very significant determining factor for investment in Greece.

Most of the discussion on the impact of emigration on GDP growth in Greece through increases in aggregate demand, often seems to be carried out in a "normative" way of thinking. It is seldom mentioned but, often implied by some authors (Nikolinakos, Zolotas) that what was really expected from remittances was a compensation in terms of aggregate demand falls due to the departure of the emigrants or even an increase of aggregate demand relatively to the level in the absence of emigration. In other words, a "successful" operation of the emigration-remittances mechanism should guarantee the level and (more important) the pattern of aggregate demand that would have been had emigration not taken place. Ending up with an aggregate demand at the non-emigration levels is of course very difficult in practice; ending up with the same pattern of demand is impossible. In fact, it would imply an assumption that potential emigrants finally deciding to stay in Greece, finding a job and acquiring a modest income increase have exactly the same consumption pattern as those who emigrated. The discussion in the previous chapter though revealed that the emigrants' demand pattern was in a sense unique and in any case, quite different from the one of those remaining in Greece. It is therefore very unrealistic to assume that aggregate demand patterns as well as levels with and without emigration are in any sense comparable.

The impact of emigration on the domestic production was even more important; the decrease in the labour force of agriculture due to emigration was not followed by the necessary restructuring of

cultivations and the mechanisation of agriculture; as a result labour shortages emerged in many areas, followed by a stagnation in agricultural production (Zolotas, 1966, p. 56). The fall of agriculture's share in the GDP from 26.1% in 1958 to 15.6% in 1981 (Poulopoulou-Emke, 1986. pp. 285-286) was not only due to the impressive progress of industrialisation but to the relative stagnation of agricultural production as well. During the 1960-1973 period agriculture increased its (nominal) product by 85%, while the aggregate increase of the nominal GDP was 245.19% (National Accounts of Greece, various issues). One could say though, that this relative stagnation of agriculture was to be expected given the process of industrialisation but, on the other hand, it was amplified by emigration as well.

It took some time before the negative effects of the outflow of labour for the GDP of manufacturing became obvious; this was due to the low labour absorptiveness of the Greek manufacturing and the fact that to a certain extent industry can substitute labour with capital. By the late 1960s though it became quite obvious that the Greek industry was labour constrained. This was also due to the lack of any professional training policy but the level in the labour pool for the industry was indeed much lower due to emigration. In addition to that, the unwillingness of the returning emigrants to be employed in industry made things even more difficult.

2. The Economies of the Immigration E.C. Countries.

As analysed in chapter one, the impact of immigration on GDP growth can take two forms namely the "direct production effect" and the "instantaneous welfare effect" ones. In the E.C. countries, as one should expect, immigration coincided with GDP growth; we cannot isolate the impact of immigration on GDP growth, but we can indicate it indirectly according to the above two sets of effects.

The need for immigrant labour emerged when besides other things, manufacturing had absorbed the surplus labour of agriculture and households services. The fact that most immigrants were employed in manufacturing (chapter three), the sector with the highest labour productivity in the E.C. countries in the postwar period (Boltho, 1982), could lead to the conclusion that immigration increased the average labour productivity in the E.C. countries. On the other hand

though, one could argue that immigrants tended to move to low skilled jobs which may have low productivity; in such a case, assuming availability of domestic labour and depending on whether the definition of MPL is correct, marginal productivity considerations would suggest that immigration caused an increase in the labour force and a fall in average productivity in the immigration countries (although one could argue that the native labour force would have done the unwanted jobs otherwise). Besides that the immigrants' desire to maximise their income and to ensure their future employment (almost all of them were on one year contracts) made them work very intensively (Castles and Kosack, 1985, pp. 396-398). Productivity growth in West Germany in particular during the 1960s (after immigration) was estimated to be more rapid in the sectors employing immigrants than in the ones not employing foreign labour (Nikolinakos, 1974, p. 108). One could argue though, that the direction of causation in this case is not at all clear; immigrants may have contributed to this more rapid growth; alternatively they may have been attracted by it or simply needed by those industries. It was estimated that during period 1967-1971 in France, foreign workers contributed by 4.6-5% to the formation of this country's GDP.

As far as West Germany, (the main immigration country for Greece) is concerned, it was estimated that foreign workers contributed by 0.07 percentage points to West Germany's GDP growth rate in 1970 (which was 5% that particular year (OECD, Economic Outlook) (MacMillen, 1982, p. 240 and Askari, 1974, pp. 341-345). This estimation was carried out in the following way: Askari used Denison's estimation on the annual contribution of labour to GDP growth in West Germany in the 1960-1970 period (19%); he then found what percentage of the labour force immigrants represented in that period and he simply multiplied those two percentages (clearly assuming no impact on efficiency, capital formation etc.). By doing this he came up with a very low estimate of the contribution of immigration to GDP growth in the 1960-1973 period but, he made clear that even this small contribution was higher than the impact of free trade on GDP growth due to the formation of the E.C. in the same period (static welfare effects of a customs union). Besides the reservations one could have on the very strict and, in fact, quite unrealistic assumptions these estimations are based on, the

aforementioned findings could be interpreted differently; in fact, during the 1960s the growth of the labour force in West Germany in the absence of immigration would have been extremely low or even negative for some particular years.

The contribution of the immigrants to the level of productivity of several strategic industrial sectors of the E.C. countries was of great importance for these sectors. Foreign workers in the West German car industry in the 1960s were producing one in every six cars (Bohning, 1984, pp. 24-5).

Immigrants tended to suppress wage pressures in the sector they were employed in, and consequently, production cost in total; the competitiveness and therefore the exports of these sectors improved. The sectors that employed immigrants were the ones to increase their exports the most in West Germany (Nikolinakos, 1974, pp. 83-84). The increasing world demand for industrial goods produced by West Germany was one of the main factors for the economic growth of this country (Boltho, 1982); the role of immigrants in this respect is, therefore, obvious.

The "instantaneous welfare effect" argument is in essence based on the accumulation process. The conditions for accumulation get more favourable, the larger the labour force and the more the wage level can be suppressed (Nikolinakos, 1974, p. 136). Since immigration ensures the availability of labour and suppresses wages it is in essence a factor securing and expanding accumulation.

The inflow of immigrants and investment have a cause-effect relation. Obviously, investment has to preexist in order to create job vacancies for the immigrants; it has been historically indicated (for immigration into U.S.A.) that migration follows investment with a 6-36 month time lag (see Thomas, 1973, pp. 159-163, although the method used for this estimation is not specified). The reverse relation (immigration causing investment) could be established as follows: even if we accept that immigrants do not cause a direct increase in the demand for industrial capital in the short-run, because there is surplus capital, the employment of the immigrants causes an increase in increase of profitability of investment and an increase of capacity utilisation and therefore investment. This, of course, assumes that firms have excess capital and are facing an increasing demand for their products and a

labour shortage; in such a case, firms will increase their production by simply employing immigrant labour. After a certain point though, firms will only increase their output by simultaneously increasing their capital stock and labour force; in such a case investment would run alongside migration. Immigrants don't even cause a considerable individual (compared with the native population) indirect effect on aggregate demand through their demand for consumer goods because of their low income and their high propensity to remit. The impact of immigration on investment is almost entirely based on the creation of favourable expectations for profits and accumulation for the entrepreneurs (MacMillen, 1982, p. 247). Immigration suppresses the cost of production, increases the profit margins and this produces favourable expectations for a further increase of profits through investment.

The "instantaneous welfare effect" (welfare from the immigration country's point of view) was estimated at 1.2 or 2.2% of GDP (depending on the working assumptions) for France (1971), 1.33% of GDP for the U.K. (1974) and between 2.5 and 3% for West Germany (average annual rate for the period 1965-1974) (op. cit.). The methods used for these estimations are based on very strict assumptions, but up to this point only the methods and not the estimations themselves have been subject to criticisms. Generally speaking the "instantaneous welfare effect" is believed to be much smaller than the "direct production" one (a 1 to 4 relation) (Kindleberger, 1965, pp. 237-241) but what really matters is their sum (5.8-8.5% of GDP) which only shows the short-run impact of immigration on the GDP growth of the E.C. countries.

D. THE IMPACT OF MIGRATION ON WAGES, THE PRICE LEVEL AND INCOME DISTRIBUTION.

1. The Greek Economy.

We have already seen in a previous section of this chapter that, the expansion of the emigratory flow from Greece in the 1960s left the country with labour shortages particularly visible in some sectors and for some professional groups. It is very difficult to specify, though, the exact impact of these labour shortages on the wage level, the main reason being the imperfect way the Greek labour market operates. In the

period of massive emigration (1963-1973), nominal wages increased at an average annual rate of 11.3%, while the average annual rate of inflation did not exceed 3.8%. Real wages, in that period, increased at an annual rate of 8.5% (Poulopoulou-Emke, 1986); even this increase though, lagged behind the annual labour productivity increases (which may have been affected by emigration). These high productivity increases could be explained in terms of the very low starting point, the rapid shift to capital intensive methods during that period or, both. Besides that, these productivity increases also reflect the presence of a large labour surplus in agriculture prior to emigration, since the departure of the emigrants did not cause a fall in output.

It is not certain whether, (even this lagging behind productivity increases) wage increase would have taken place, had emigration and the consequent labour shortages (described in previous sections) had not occurred. It is also very doubtful whether the wage increases in the period 1970-1973, when the labour shortages became pressing, could have been so modest if there had been a parliamentary democracy and free trade unionism in Greece; the dictatorial regime (1967-1974) had been trying to avoid considerable price and wage increases by freezing them both. In a sense therefore, real wages during the dictatorship did not increase although one could argue that the emergence of a "black market" for goods (not that obvious for labour) following the freezing of prices during the dictatorship and the consequent price increases really meant a fall in real wages.

The rapid real wage increases after 1975 could be attributed to a great extent to the further reduction of the labour force in the period 1970-1974 (only in 1970 282,136 people or 8.5% of the labour force for that year emigrated to West Germany (KEPE, 1976, p. 6) in addition to the strengthening of the trade unions after the fall of the dictatorship; these two factors made the further stagnation of wages very difficult. The rapid real wage increases in the mid and late 1970s, in spite of the stagnation in productivity, simply suggests that it took quite a while for wages to adjust to the new status of the Greek labour market.

This increasing trend of real wages was not retarded by repatriation because returning emigrants did not cover the unfilled job vacancies, mainly because of their unwillingness to undertake dependent

employment; consequently, they did not contribute to the reduction of the labour shortages, especially in some industrial branches.

This delay in wage increases in Greece, partly caused by emigration, may have affected the functional income distribution (although there is no evidence on that); according to the theory (Grubel and Scott, 1966, p. 270) emigration may increase the capital-labour ratio, even if most of the emigrants were unemployed or underemployed before emigrating, mainly because the consequent labour shortage may lead many industrialists to the decision to substitute capital for labour. In the case of Greece the share of labour in the national income seems to increase gradually in that period; (22.6%-31.6% in the 1960s, 43.3 in 1974 the remainder being the share of capital) this of course, seems to be a very large measure to accept; what is useful though in this estimation is the size of the change rather than the estimated shares of labour themselves. In particular, these estimations are unreliable, mainly because Greek statistics are unable to indicate the product of hidden economy (Negreponi-Delivani, 1983). If one takes into account the product of hidden economy, the picture of the functional income distribution in Greece would change dramatically). One has to take into account that the share of capital although the postwar period was kept at a 56.7%-77.4% of national income; the average share of capital in Greece (49%) during that period was much higher than the corresponding one for other European emigration countries (25.1% in Italy, 33.1% in Spain and 40.4% in Portugal) (Babanasis, 1985, p. 270). In any case though, the exact impact of emigration on the functional income distribution in Greece cannot be estimated.

The inflow of remittances increased the income of the emigrants' family members who remained in Greece. The problem is that the impact of remittances on the income of the emigrants' families and the personal income distribution in general cannot be identified because the income from remittances was not subject to taxation and, therefore was not declared at all; consequently, it did not appear in the official statistics of income and the impact of emigration on the personal income distribution as in the case of the functional distribution cannot be estimated.

The third aspect to be examined in this section is the impact of emigration on inflationary pressures in Greece. The analyses on this

subject in the 1960s and early 1970s (see e.g. Kindleberger, 1965 and 1967) were dominated by Phillips curve considerations. Emigration therefore, can cause inflation only through a considerable decrease in the labour supply of the emigration country, and a consequent decrease (or even elimination) of unemployment. Besides the usual reservations about whether a Phillips curve applied in the case of Greece, one could add that this kind of analysis examines the labour force and wage and price increases in total, without distinguishing, that is, particular groups of the labour force. A more appropriate framework of analysis is therefore needed.

From the cost push side, the wage increases (even though they were delayed as we have seen by the controls imposed by the dictatorial regime until 1974) did have an inflationary impact which, on the other hand, should not be exaggerated since the labour cost in Greece is a relatively low percentage of total cost. In fact, all through the postwar period it has been in the area of 13% of the total value added (17% for the other Western European countries) or 34% taking inter-industry links into account (45% for the other Western European countries) (Lalonde and Papandreou, 1986).

As far as the demand pull side is concerned, one could argue that the main inflationary impact of emigration in Greece came from the increase in aggregate demand caused by the remittances relatively to the changes in aggregate supply. This seems acceptable provided that the increase in aggregate demand outweighed quantitatively the fall in consumption caused by the departure of the emigrants. As analysed in the previous chapter, remittances had a considerable effect on aggregate demand in general mainly because of their size. This effect was more obvious for sectors such as dwellings and building materials.

On the other hand, very little could be said on the impact of remittances on imported inflation; as we have seen, the impact of remittances on imports seems to have been exaggerated in the case of Greece.

From a Monetarist point of view, a phenomenon such as emigration, can cause inflation only if it influences the money supply. One should, therefore, examine the impact of remittances on the money supply. In the case of Greece, there is no evidence (in the reports of the Bank of Greece as well as the relevant literature) that remittances were an

important determinant factor of the money supply. Besides that, the monetary authorities could always sterilise the impact of remittances on money supply, and, therefore, there is very little room for assumptions of this sort.

As already mentioned, the Phillips curve analysis, fails to distinguish particular professional groups. In the case of Greece, a more "structuralistic" approach could be applied, in the sense that emigration was unevenly distributed among different groups of the labour force. By causing shortages of skilled labour, not because emigrants were skilled when leaving the country, but because they were the most likely part of the labour force to acquire skills in Greece (because of age etc-see chapter three), emigration has accelerated wage increases in particular sectors of the economy. Assuming that these sectors were "leaders" in terms of determining the overall wage structure (which is quite realistic to assume for a labour market such as the Greek one-see chapter two), one could establish the case of emigration causing inflation.

2. The Economies of the Immigration E.C. Countries.

Immigration in the case of the E.C. countries functioned as a "life boat" for the labour intensive industries, as well as the less competitive ones by providing them with the necessary labour force, delaying at the same time considerable real wage increases (Machlup, 1978, p. 166). In fact, several authors go as far as stating that for the immigration E.C. countries the availability of labour provided by immigration as a "reserve army" pressed wages and prices down (OECD, 1979, p. 28) and facilitated the maintenance of high profits, at least in the period 1960-1974 (Castles and Kosack, 1985, p. 377).

Various authors (e.g. Castles and Kosack, Paine) have stressed that there are wage discriminations against foreign workers; what really happens is that, since immigrants come to fill particular vacancies, their wages are subject to limited bargaining even after they have undertaken employment, unless of course they join trade unions (Bohning, 1984, pp. 94-106). Immigrants' wages therefore, do not tend to increase significantly, causing a general stagnation in the wage level. (MacMillen, 1982, p. 248) A study for West Germany (Bain, and Panga, 1972, p. 820) reveals that in the period 1960-1970 wages in the

industrial branches employing immigrants fell relatively to the wages in sectors that did not employ foreign labour.

The aspect of immigration reducing pressures for wage increases has been the main argument against immigration for the trade unions (although racism could have been a major driving force) (Nikolinakos, 1974, p. 109) and was accepted in many cases without examining a series of counter arguments that refute it to a great extent.

There is, first of all a question as to whether real wages could have increased in the long run had immigration not occurred (Bohning, 1984, pp. 110-112); one should expect that labour shortages definitely lead to real wage increases. On the other hand though, there are certainly mechanisms (e.g. income policies, unemployment) in capitalism for keeping real wage growth roughly in line with productivity growth. The scheme according to which real wages increase indefinitely due to the relative shortage of labour in capitalism, presupposes entrepreneurs who would increase their production and their demand for labour in spite of the possible continuous fall of their profits and an impressive sophistication as far as the trade unionists are concerned.

It has already been mentioned that the massive inflow of immigrants facilitated and, to a great extent accelerated, the movement of native workers to skilled labour posts (probably after training), providing them with a comparative advantage in the labour market;

In conclusion we could say that:

-The inflow of immigrants in the E.C. countries did not rise enough to reduce real wages, not even to prevent them from increasing, probably because productivity increased as well (Castles and Kosack, 1985, p. 377) and this fact is indicated by their postwar evolution. In fact during the 1970s, productivity in the developed West European countries was increasing at a 1.9% annual rate while real wages were increasing at a 1.6% one (Babanasis, 1985, p. 271).

-In some E.C. countries (West Germany being the best example and the U.K. the most obvious exception) immigration caused a widening of the wage differences between skilled and unskilled workers many of which were immigrants (Maillat, 1968, pp. 19-36 and Bohning, 1984).

Immigration had a negative effect on the increase of real wages in the short-run that could have taken place had migration not occurred. This way and, always for the short-run period immigration can be seen

as a redistribution mechanism in favor of profits, although labour's share increased in many E.C. countries in the period of massive immigration.

Until the late 1960s, the share of capital in some (mainly West Germany) immigration E.C. countries seems to increase constantly; (from 55.8% in 1960 it reached 67.9% in 1971 for the E.C. (6)) (Babanasis, 1985, p. 272) after 1981 though, it starts to fall (63.4% in 1985) and there are two explanations related to migration for this change:

-The first one is that the labour force is no longer increasing at a rate allowing the stagnation of wages relatively to profits; this is partly due to the fact that immigrants are no longer absorbed at the past rates or, in any way, at the necessary rates for the continuation of that income distribution pattern (Boltho, 1982).

-The second one is that the so called "maturity" of the migratory stream had occurred by the late 1960s (Bohning, 1984) and this means, besides other things, that immigrants start to press effectively for wage increases side by side with the native workers.

A final question is whether immigration had an inflationary effect for the immigration countries. It should be made clear from the beginning that the whole discussion circles around the non-monetarist approaches to inflation because if one adopts the monetarist approach, immigration is clearly irrelevant to inflation since it only depends on the monetary expansion. There has been a lot of discussion on this aspect which revolved around three main points.

a) The inflow of foreign workers by suppressing the trend for wage increases has a dis-inflationary effect, since it avoids cost and price increases (Bain and Panga, 1972, p. 824). This way, even though GDP increases due to high profits and increasing investment, this growth does not cause increases in the price level.

b) Assuming spare capacity etc., one could argue that immigration causes inflation just after the establishment of the immigrants because of the increases in the demand for: i) industrial capital (machinery etc.) through new investment for the employment of the immigrants and ii) social capital (houses, schools, hospitals etc.) for the immigrants and their families (Mishan and Needleman, 1968, p. 35).

c) Immigration causes inflation in the long-run due to the increasing demand for i) industrial capital since the profitable production of

labour intensive goods (due to the low labour cost) leads to a spiral of continuous investment and additional hiring of immigrants (Castles and Kosack, 1985, p. 389) and ii) consumer goods for the immigrants as their income increases as well as their remittances (Coale, 1976, p. 304).

The second of these three points is rejected, at least as far as the E.C. countries are concerned, because i) immigrants did not cause an additional direct demand for industrial capital since they came to fill existing job vacancies (chapter two), besides the fact that excess capital stock existed prior to the migration of labour and ii) all through the 1960s immigrants were not usually accompanied by their families and, therefore, the needs for an increase of social capital (e.g. schools for their children, health services for their spouses) were not significant.

As far as the other two points are concerned, namely the deflationary function of the wage suppression in the short-run and the inflationary one of the increases of demand in the long-run, we could say that they function simultaneously and the final outcome on the price level was determined by a country depending on whether the inflationary or the deflationary pressures were stronger.

In particular, there is no evidence that immigration caused wage increases in the short-run in any immigration country. On the other hand, for the long-run period, it seems that there were inflationary pressures caused by the excessive demand of the immigrants in some countries (U.K., Switzerland), while others (West Germany, France) were not affected at all (Castles and Kosack, 1985, pp. 392-393).

E. THE IMPACT OF IMMIGRATION ON THE BALANCE OF PAYMENTS OF THE IMMIGRATION E.C. COUNTRIES.

The impact of immigration on the balance of payments of the E.C. immigration countries could be investigated both as far as remittances and as far as exports and imports are concerned.

Remittances have been an important outflow of exchange for the E.C. countries and especially West Germany, the main immigration country; it has been estimated that in 1972, there were 5,900 DM remitted per foreign worker from West Germany (Blitz, 1977, p. 498).

On the other hand, one has to take into account that the surplus in the balance of current accounts in West Germany was increasing at the same time remittances were growing (Boltho, 1982). It is true that the contribution of the immigrants to an increase of the balance of trade surplus of the immigration countries (through increases in productivity and competitiveness) cannot be isolated and, therefore expressed in quantitative terms. But the fact that the surplus in the balance of current accounts of the Western European immigration countries was increasing at a higher rate than remittances (Poulopoulou-Emke, 1986), brings into question the argument according to which a benefit for an emigration country is an equivalent loss for an immigration country.

Table I-7: West Germany's trade with the emigration countries in 1961 and 1972 (in mil. D.M.(1)).

Country		1961	1972	% change 1961-72
Spain	exports to	587	2,585	+340.4
	imports from	697	1,645	+136.0
	trade balance	-110	+940	
Greece	exports to	505	1,779	+252.3
	imports from	255	873	+242.4
	trade balance	+250	+906	
Portugal	exports to	436	1,049	+140.6
	imports from	135	314	+132.6
	trade balance	+301	+735	
Turkey	exports to	376	1,035	+175.3
	imports from	311	594	+91.0
	trade balance	+65	+441	

(1) Nominal values.

Source: OECD, 1976, p. 19.

Another theoretical argument on the detrimental effects of immigration for the immigration countries' balance of payments is that imports from the emigration countries increase as well (MacMillen, 1982, p. 258); this happens because immigrants retain to a great extent the consumption pattern of their country and persist in demanding the goods produced there, which can only be imported. This argument is

complemented by the fact that imports of certain goods for the immigrants, makes them known to the other consumers as well, causing a further increase of imports (Mishan and Needleman, 1968, pp. 36-37).

On the other hand, there is the possible "boomerang" effect of the remittances (remittances financing imports from the immigration countries). Especially in the case of intra-European migration, there has been an expansion of trade in general and between emigration and immigration countries in particular (OECD, 1978, p. 18). The question is, which group of countries benefited in terms of trade balance from this expansion; table II-7 could be very helpful as far as answering this question is concerned. As shown in table II-7, in the period of massive migration West Germany's exports to the emigration countries grew much faster than its imports from these countries. By increasing its trade balance surplus, West Germany managed to recycle a great part of the exchange lost from the remittances.

The most important benefit for the balance of payments of the E.C. countries, attributable to immigration is that the presence of the immigrants facilitated the increase of the production of exportable goods without a considerable increase of the production cost; this way the E.C. immigration countries gained in competitiveness and managed to increase their exports and improve their balance of payments (Nikolinakos, 1974, pp. 81-91).

The final conclusions on the short-run as well as the long-run economic effects of emigration from Greece to the E.C. countries will be discussed at the end of part II, following the analysis of chapter eight.

C H A P T E R E I G H T
" THE LONG-RUN ECONOMIC EFFECTS OF MIGRATION
FOR GREECE AND THE E.C. COUNTRIES. "

In this chapter, an attempt will be made to investigate whether certain long-run economic effects of migration provided by the theory are applicable to the case of emigration from Greece to the E.C. countries. In particular, the investigation will include the acquisition of skills (by the immigrants) argument, the loss of human capital argument and the balanced growth one. Furthermore, the analysis will include the investigation of the impact of emigration on industrialisation and the position of Greece in the international division of labour. Finally, two more aspects will be taken into consideration, namely the regional and the demographic dimensions of migration.

A. THE ACQUISITION OF SKILLS BY THE IMMIGRANTS AND THE BENEFITS FOR GREECE.

One of the main hopes for long-term benefits for the emigration countries, according to those advocating that migration is beneficial for emigration countries, is that emigrants acquire skills in the immigration countries and these skills are used by the emigration countries after repatriation. In particular, the skills and knowledge acquired by the emigrants during their employment in industrial (mainly) firms are expected to contribute to the industrial development of their country of origin (Kindleberger, 1967, pp. 248-250). This, of course, only applies to temporary emigration because, obviously, in the case of a permanent one the emigration country will not benefit from these acquired skills. Besides that, even if emigrants return, it all depends on when they do that since, the return of emigrants at (or even very close to the age of retirement) will provide very few (if any) benefits for the emigration country.

This argument is in many cases extended in the sense that emigrants are considered as bearers of economic and social development acting as catalysts in their countries of origin by bringing new ideas, innovations, knowledge and skills acquired in the foreign land (Connel et. al., 1976, pp. 132-135). Since emigration is seen as caused by the relative underdevelopment of the emigration countries, the repatriation of such people will facilitate the modernisation of the economy and

society in general, leading to economic development. According to this logic therefore, migration is a process of training people abroad, so that their country of origin will benefit from that, provided of course that the above conditions (emigrants return and, in fact, with many working years ahead) are satisfied.

The above scheme is based on a series of very strict assumptions, though, and its function requires a continuous and simultaneous operation of factors. We could briefly analyse some of them:

- a) The number of those emigrating and, therefore returning after a while, should be in accordance with the emigration country's needs for labour.
- b) Emigrants must acquire skills and experience in particular specialisations needed for the industrial development of their country of origin.
- c) In terms of maximising the benefits for the emigration country one could add that the amount of time emigrants will remain in the foreign land must be the absolute minimum necessary one for the acquisition of skills and experience so that their home country benefits from them as soon as possible.
- d) Returning emigrants should undertake employment in particular industrial firms (similar to the ones they were working for in the immigration countries) in the particular region this firm is established and with the wage rate of the emigration country.
- e) The job vacancies returning emigrants are going to fill must be created before their return.

More generally, there must be a full and efficient, planning of the industrial development and its needs in labour and, emigration must be included in this planning as a source of the required (in numbers and specialisations) labour force. This point is very important especially if one accepts that private market forces are very unlikely to provide such gains for the emigration countries. However, it is not at all certain that any form of planning would be able to reap these benefits; planning for example will have to give answers to questions such as "who creates the vacancies in point e)". If one accepts this final condition, one then has to accept that the main (if not the only) driving force of emigration is the desire of the emigration countries to train their labour force. The relation between planning and

industrialisation with reference to emigration of course, will be discussed in a following section of this chapter. We have already seen in the first part of the thesis, that the postwar intra-European migration was caused by the increasing demand for labour of the immigration countries and the availability of labour force in the emigration ones. We have also seen that the size of emigration and repatriation, the kind of employment immigrants undertook and their training evolved according to the particular needs of the immigration countries (Bohning, 1975, pp. 263-265).

It has already started to become obvious how difficult (if not impossible) it was for emigration countries to gain from using the skills of the returning emigrants. In addition to that we should stress that:

- a) Almost all the immigrants in the E.C. countries were primarily employed as unskilled workers. Very few of them managed to become skilled or even semiskilled workers due to the limited duration of their stay, to the unfolding of native workers who were naturally preferred and their poor knowledge of the language (Granier and Marciano, 1975, p. 151).
- b) Very few of the immigrants managed to attend professional training seminars; such seminars would have helped them to acquire some specialisation. In West Germany in particular, only 4% of the foreign workers attended such a seminar (Castles and Kosack, 1985, p. 197). This could be attributed to the language and culture problems immigrants are faced with and it is the main reason why the E.C. recognising this problem, is trying to provide equal training opportunities to the immigrants through its social policy (O'Grada, 1979, pp.87-103).
- c) Very few of the returning emigrants were employed in industries similar to the ones they were employed in the foreign land after their return (Bohning, 1975, pp. 77-8).

In the case of Greece in particular, there were some special characteristics:

- a) The percentage of Greek immigrants undertaking a skilled worker post was extremely low; for the Greek immigrants in West Germany this percentage was estimated to be 7% (Shlaim and Yannopoulos, 1976, pp. 125-126, or less than 15% according to a second estimation (Kayser,

1977, p. 131).

b) Of the Greek immigrants who had acquired some skills, very few could be used in Greece due to the lack of heavy industry there (OECD, 1967, pp. 46-51).

c) At least in the beginning, there was no policy from Greece aiming at attracting skilled emigrants and employing them in Greek industry (Triantis, 1965, pp. 220-221). Even when such policies were implemented, as in the case of trying to attract Greek scientists from abroad, the results were very poor (Kindleberger, 1978).

d) Only 10% of the returning emigrants were employed in manufacturing after their return (King, 1986, p. 20).

These facts made things look quite different from what the immigration optimists predicted; the contribution of returning emigrants to the development of the Greek economy, through their skills acquired abroad was negligible, if any (Poulopoulou-Emke, 1986, pp. 333-336). In a sense it is possible that Greece could have gained from this process, as we will see in the concluding chapter of the thesis, but the necessary conditions were never fulfilled.

The whole emigration-repatriation process in the postwar period not only failed to provide Greek industry with the necessary skilled labour force but, in addition to that, deprived a considerable part of this force from any perspective of industrial employment in Greece. The enormous demand for skilled labour of the Greek industry in that period is shown by the following fact: according to the bilateral agreements many potential migrants were trained in Greece before leaving; 58.4% of them found a job in the Greek industry and did not emigrate after all (Zolotas, 1966, p. 68).

B. MIGRATION AS A MOVEMENT OF HUMAN CAPITAL.

Migration can be viewed as a transfer of valuable productive resources (human capital) from the less developed countries to the developed ones, assuming of course that this is the direction of the flow. For the immigration countries the inflow of foreign workers could be seen as *"...an increase of their productive resources for which they have not paid much. In most cases it has proved out to be that it is by all means "cheaper" for a country to import labour than to create it."*

(Reder, 1963, p. 181).

For the emigration countries, on the other hand, this outflow of human capital could be seen as a loss, since they lose a part of their labour force for the creation of which large amounts of money may have been paid. These amounts represent the cost of production of the labour force (Nikolinakos, 1973, p. 51) and include the expenditure for the nutrition, the bringing up, the training etc. of the children until they reach the age of entering the labour force (Zolotas, 1966, pp. 17-20).

As analysed in chapter five, the examination of labour as a form of capital (human) contains several difficulties but this is not the main question to be answered really. Provided that there are no other options, the main question for the emigration countries is whether they should maintain their labour unemployed rather than sending it abroad.

This dilemma is a very serious one and it is related to a series of questions relatively to whether the economic policy followed by the emigration country was the best one in terms of productively employing the labour force in the national economy. Besides that, there is the problem of whether emigration works as a relaxation factor as to the problem of unemployment; such a relaxation means that the pressure for economic policies aiming at minimising or even eliminating unemployment is reduced. The problem of losing human capital or providing development aid to the immigration countries is not solved (Castles and Kosack, 1985, p. 411).

There have been many efforts to express the value of this loss (for the emigration countries) in monetary terms; there were estimations in the early 1970s, according to which the cost by emigrant is 5,000 US \$ (1970 prices) or 8.7 years of work (in the emigration country) (op. cit.).

According to estimations referring to the case of Greece, the total cost (including the costs of nutrition bringing up and education for the state), by emigrant in the 1950s was 180,000 drachmas (in current prices) (Lampos, 1982, p. 34), and the total cost of emigration until the 1970s reached \$ 896,478,533 US. (in current prices again) (Nikolinakos, 1973, p. 52). What these estimations really imply could be best understood by taking into account that per capita GDP in Greece in 1951 was 4,713 drachmas and total GDP in 1970 was 258,000 million

drachmas or \$ 8,600 mil. US (all in current prices) In many cases this cost is compared to the remittances. In fact, if one accepts the above sum as the total cost of emigration until 1970 and compares it to remittances for the same period (347 mil US. \$) one will conclude that remittances were only to a limited extent a compensation for the loss of Greece in human capital, although such comparisons (remittances versus human capital losses) entail a series of problems as we will see. (op. cit.)

Besides the problem of reliability of these estimates, since among other things, they do not take into account that emigration from Greece to Western Europe was temporary and therefore the loss of human capital is true only for the period this capital is absent, one should be very careful with this kind of comparisons; the estimates on the loss of human capital refer to a stock effect since it finally represents the productive capacity foregone due to the departure of the emigrants. The inflow of remittances is a flow effect of emigration; it is therefore very risky to compare flow and stock effects. On the other hand though, human capital is either estimate of past expenditure or of discounted future income. If remittances were regarded as payments for hiring (since we refer to temporary migration) human capital, it would seem that they are compatible provided of course that remittances are used for the production of human capital.

Many authors (Zolotas, Nikolinakos, Pouloupoulou) argue that the loss of labour due to emigration was a negative factor of great importance for the Greek economy, since the shortage of labour became obvious very soon; the counter argument that this loss was temporary because most of the emigrants returned (repatriation) is of no value. The reason is that emigration coincided with the effort to industrialise the Greek economy and *"...industry cannot develop, absorb labour and discourage emigration if labour has emigrated before industry has developed"* (Triantis, 1965, p. 219)

The loss of human capital is probably the most unfavorable stock effect for the emigration countries. It is therefore, the main argument of those stressing that there must be some kind of compensation from the immigration countries to the emigration ones (Bohning, 1979. pp. 409-11).

The loss of human capital issue in the case of Greece is completed if

we take into account the " brain drain" (Bhagwati, 1977, pp. 127-129 and 131-3) which increased in the postwar period. Many Greeks who studied abroad did not return (Poulopoulou-Emke, 1986, pp. 248-50).

For the E.C. countries, the inflow of foreign workers was a free "import" of human capital (although certain authors doubt the importance of this import - see Krauss and Baumol, 1979) , for the creation of which they did not pay anything to the emigration countries. Besides that, this "import" was done at the time the E.C. countries needed it, under the terms and for the period directly reflecting their interests. On the other hand though, one has to take into account that immigration implied social costs (considerable in most cases as a matter of fact) for the labour importing E.C. countries.

C. THE CONTRIBUTION OF MIGRATION IN THE BALANCED ECONOMIC GROWTH OF GREECE AND THE IMMIGRATION E.C. COUNTRIES.

One could consider migration as the result of relative (to the immigration countries) overpopulation in the emigration countries and relative (to the emigration countries) underpopulation in the immigration ones. In terms of production functions this means a relative shortage of capital in the emigration countries (relatively low capital/labour ratio) and a relative surplus of capital (relatively high capital/labour ratio) in the immigration ones, although in Neoclassical terms, relative prices will adjust.

According to this analysis (which is based on the assumption of identical production functions internationally), emigration is one of the ways to solve this disequilibrium expressed in surpluses or shortages of factors of production. The other way obviously, is the movement of capital through foreign investment from the capital abundant to the capital scarce countries.

The essence of this analysis, according to which international capital movements are a substitute for international labour migration has been the basis for the discussion of whether the worker should move to the job (migration) or the job should move to the worker (foreign investment) (Klaassen and Drew, 1973, pp. 22-25). The content of this

discussion is that, given the dangers of migration, especially for the emigration countries, the inflow of foreign capital in these countries could possibly be a solution for the absorption of labour and probably a better one than migration. This analysis though, cannot be accepted without certain reservations; the validity of this argument depends on the criteria used.

The whole discussion circles around the problem of the attainment of "balanced growth" both in the immigration and the emigration countries, in the sense that surpluses as well as shortages in factors of production are a negative factor, since they undermine the adopted pattern of development and the effort for a continuous growth of the GDP. There are many reservations though, concerning what has been mentioned so far:

- a) Foreign investment and migration may coincide, and this may cause labour shortages, as was the case with Greece during the 1960s .
- b) Direct foreign investment does not guarantee the full absorption of labour since the foreign firms may adopt capital intensive methods (even if labour is abundant and wages relatively low) and compete (in fact close) with domestic labour intensive ones.
- c) Even if foreign investment creates some new jobs, it is not certain whether these will prove enough to absorb all the surplus labour, especially if relatively capital intensive methods have been adopted (point b.) and therefore demand for labour does not increase substantially; if this is the case, a part of those unemployed will have to emigrate (Lutz, 1963, pp. 390-1).

It should be made clear that the contribution of migration to balanced growth cannot possibly be estimated; the only thing that can be done is to draw some general conclusions on the level of directions (MacMillen, 1982, pp. 248-9). As far Greece is concerned, we could say that:

- a) For a country at the intermediate stage of development like Greece, emigration could successfully contribute to balanced growth, had it been programmed and planned.
- b) The above has not been the case in Greece; in fact, the impact of emigration on the balance of development of the Greek economy could be considered as a detrimental one; this mainly happened because emigration simply changed the nature of the problem (from a labour surplus to a labour shortage) the Greek economy

was facing. The fact that the rigidity of the economic mechanisms in Greece made the solution of the new problem impossible, simply meant that its economy had moved from one disequilibrium position to another (Kindleberger, 1967).

For the immigration E.C. countries (especially West Germany), on the other hand, things were quite different:

a) Their ability to absorb labour through immigration, has been a very effective means for macro economic policy implementation. West Germany in particular, maintained the absolute control of the number, the duration of stay and the kind of employment of the immigrants; these manipulations of immigration therefore, were very effective both in the short and the long-run. This argument does not apply to other E.C. immigration countries such as France and the U.K.

b) Solving the problem of the relative scarcity of labour, made the maintenance of the postwar development model of these countries possible with the minimum possible vibrations (Kindleberger, 1967). It is in fact very questionable whether the high growth rates of the 1960s could have been achieved had immigration not occurred. (Boltho, 1982).

D. THE IMPACT OF EMIGRATION ON INDUSTRIALISATION AND THE POSITION OF GREECE IN THE INTERNATIONAL DIVISION OF LABOUR.

The outflow of labour force, as far as the emigration countries are concerned, can theoretically initiate investment and technological modernisation of the economy, through "an increase of the marginal product of labour and the transition from a system of disequilibrium where labour is paid according to its average product, to another where it is paid according to its marginal one" (Kindleberger, 1965, p. 250).

The essence of this point is that emigration countries are deprived of their surplus of labour and, consequently pressures for wage increases emerge (as we have seen in the static effects). These wage increases will be of a permanent nature, meaning that the real wage level will never again converge to the ones of the labour abundant countries; a new *status quo* in the labour market of these countries will emerge therefore, converging to the one of the developed labour scarce countries. This will lead the firms in the emigration countries

to adopt capital intensive methods, since the labour cost is higher now. Following a Neoclassical way of thinking, one could therefore assume that this mechanism could be expected to function positively for the economic development of the emigration countries, since their production methods will converge to the ones of the developed nations (Ranis and Fei, 1961, pp. 533-65).

The conclusions of this analysis are of great importance and they cannot be accepted unreservedly. First of all, it is very difficult to accept that such a mechanism of convergence of the development levels of emigration and immigration countries is in operation.

The basic condition for the operation of such a convergence mechanism is that all the factors necessary for industrialisation are present, because we cannot accept that the loss of a country's labour reserves can, by itself cause industrialisation. The Neoclassical argument (convergence) is a comparative static one, in the sense, that it does not analyse the process through which convergence is achieved; the one referring to industrialisation is a more dynamic one. Besides that, Neoclassicals do not really talk about industrialisation; they only refer to the changes in the capital-labour ratio. In addition to that one must not forget that Neoclassical theory does not allow for unemployment and job vacancies. The problem in this case therefore seems to be the application of a static theory (Neoclassical) to a dynamic phenomenon (industrialisation) and not the theory itself.

We could indicatively list some of the factors contributing to industrialisation: the infrastructure for industrial development, the institutional framework, the availability of technology and, of course the market(s) which will absorb these industrial goods (Kindleberger, 1965, p. 251).

The existence of the factors contributing to industrialisation though, even if the convergence mechanism has started to operate, cannot guarantee that this convergence will be completed. The gap in industrial development may appear to be reduced for a certain period of time but, in the long run, a divergence rather than a convergence may really take place. What is likely to happen is a convergence of the production methods (more capital intensive ones for the emigration countries) but no real convergence in terms of economic development in general (Frobel et al., 1980). Besides that, emigration countries will

be deprived of their labour reserves and this is certainly a negative factor as far as the economic convergence to the immigration ones is concerned (Kindleberger, 1978, p. 24).

At this point another aspect should be brought into the discussion, namely the role of planning and government intervention in general in the industrialisation of a country. Historical evidence suggests that, with the possible exception of Britain, industrialisation was at least facilitated by (if not greatly attributed to) economic policies aiming at it (Tuma, 1971, pp. 144-5 and 193-4); the cases of Germany in the 19th century and Japan, Netherlands, Spain and Italy are only some of the examples one could come up with. In fact "...all the late comers to industrialisation tended to depend on protection, government intervention or total planning..." (*op. cit.*, p. 262). These policies have varied from simple protection from foreign competition to active industrial policies with the state in the role of the entrepreneur at least as far as the "strategic" industrial sectors were concerned. For a variety of reasons analysed in chapter two, the state in Greece never really played this role. Industrialisation in Greece was misdirected by the state in the sense that "strategic" sectors were left to the private capital domestic or foreign (in most cases), while less important sectors and firms were chosen to be in the hands of the state (either directly or through the state-owned banks). Phenomena such as the "problematic firms" and the structural sizeable budget deficits could be directly attributed to these policies.

If one takes into account the world economy and the position of each country in the international division of labour, the framework of the analysis changes as follows: assuming that an excess labour supply always implies low wages, labour surplus countries produce labour intensive goods because they are competitive in the production of these goods due to their relatively low labour cost, which is their comparative advantage after all. If these countries lose their abundant factor of production due to emigration, they automatically lose their comparative advantage in the production of labour intensive goods, at least relatively to the countries that are still labour abundant. Given that these countries can no longer compete with the labour abundant ones, their only way out is to become competitive in the production of capital intensive goods, since their role in the

international division of labour has by definition changed. If they do not succeed, they will end up in a very unfavorable situation, not being able to compete with either group of countries (Bhagwati, 1977).

The case of Greece fits exactly into the above analysis; Greece in the first postwar decades had all the characteristics of a Newly Industrialising Country (Tsoukalis, 1981). In particular, Greece had abundant labour and specialised in the production of labour intensive goods. According to Vaitsos (in Tzannatos (ed), 1986, p. 77) this was due to the needs of the Greek people after the devastation of the war. The increase of emigration in the 1960s was accompanied by a gradual substitution of capital for labour primarily due to the shortage of (skilled mainly) labour. The significant shift in the sector balance (described in chapter two) did not mean a shift of the production to capital intensive goods; it simply meant that the methods of production had changed and the same (labour intensive) goods were produced with more capital intensive methods. Thus, Greece never developed heavy industry; what really happened was that Greece simply mechanised (in relative terms) its existing traditional manufacturing firms. It is indicative that during the 1960s one third of the investments were concentrated on certain producer's groups (basically intermediate and some capital groups) while traditional sectors accounted to one third of capital accumulation (compared with a 50% in the 1950s) (Tzannatos, 1986, p. 77). In the units producing labour intensive goods there are clear limits to the substitution of capital for labour, especially when a country does not have access to high technology and, in addition has to import its mechanical equipment or depend on foreign investment for this purpose, as Greece did in the postwar period.

The real wage increases (higher than the increases in productivity) in the 1970s deprived the country of the second characteristic of the NICs, namely the low labour cost relatively to the low wage industrialising countries of the Far East. Since 1975, it was already clear that Greece could no longer be included in the group of the NICs. Its economy was more vulnerable than ever to the penetration of the exports of the industrialised countries (besides other reasons this was due to the gradual tariff disarmament) and, at the same time was facing intensive competition in its own market from the "new NICs" (Gianitsis, 1984, pp. 163-71).

Effectively, since the mid-1970s Greece has been competing with (and displaced by) the low wages of countries like Taiwan and Malaysia in stagnant world markets in those (labour intensive) products. On the other hand and, in the same period, the Greek economy has been struggling for a new "place in the sun" in terms of a new comparative advantage identification with a de-industrialisation (although one could argue whether industrialisation ever really occurred) process in progress.

These evolutions can be indicated by the fact that "...usually in Western Europe medium and smaller size countries had a ratio of imports/exports of manufacturing goods close to one. For the larger ones this ratio was smaller (0.5 for W Germany and 0.8 for France). For Greece the corresponding ratio was 2.5 in 1974 and 3.2 in 1980..." (Vaitsos in Tzannatos, 1986, p. 80).

Even though the factors *that contributed* to Greece's becoming "the NIC who didn't make it" (Tsoukalis, 1981) (neither a NIC *nor* an industrially developed country) are many and complex, emigration was surely one of the most determining ones.

E. THE REGIONAL DIMENSION OF MIGRATION.

It was stressed in the first chapter of this part that the effects of migration cannot be assumed to apply uniformly for all the regions of a country. Migration as a selective process influences the development of the regions of a country to a different extent and depending on whether these regions "benefit" or "lose" due to migration (Klaassen and Drew, 1973).

According to the Neoclassical theory, external (as well as internal) migration, under several conditions and, depending to a great extent on who really migrates, operate as a factor narrowing the regional disparities in the emigration as well as in the immigration countries (Balassa, 1975, p. 186). In this context, the neoclassical approach to the impact of migration on regional development is based on the idea that migration, by directly influencing labour supply (and eliminating short-term imbalances in the labour markets) in both emigration and immigration regions, stimulates output growth in both groups of countries. (the theoretical framework of this mechanism has been

critically analysed in chapter one)

The most important condition for the above mechanism to operate is that migration must evolve according to the needs regions have for labour and, anyway, not in an uncontrolled fashion (as far as both emigration and immigration countries are concerned), because there always the danger of undesired labour shortages (for both groups of countries) in the regions of emigration and surpluses in the immigration ones. According to the Neoclassical approach though, the market forces will always take care of this problem.

In case migration is temporary, repatriation could also influence regional development, depending on whether emigrants return to the regions they left from.

Table II-8: Emigration to West Germany by Greek region.

Region	Population (1)	Labour force(1)	Emigration 1960-73	% of Region emigr. popul. labour		
Thrace	329580	137060	35670	9.3	10.8	26.0
Macedonia	1890700	728560	156851	41.1	8.3	21.5
Epirus	310320	113020	45129	11.8	14.5	39.9
Thessaly	659920	250220	33671	8.8	5.1	13.5
East Cont.	3532320	1255800	57861	15.2	1.6	4.6
Peloponnese	986920	387460	20404	5.4	2.1	5.3
Ionian Isl.	184440	75500	8272	2.2	4.5	11.0
Aegean Isl.	417800	146080	8646	2.3	2.1	5.9
Crete	456640	190180	14812	3.9	3.2	7.8
Total	8768640	3283880	381316	100.0	4.3	11.6
Male	4280060	2369740	236313	62.0	5.5	10.0
Female	4488580	914140	145003	38.0	3.9	15.7

Source: Hatzipanayotou, 1977, p. 11.

1. Emigration and Regional Development in Greece.

The emigratory flow to Western Europe absorbed people from all Greek regions but in a disproportionate way. The regional distribution of the

Greek emigrants that moved to West Germany according to the bilateral agreement in the period 1960-1973 is shown in table II-8. The data of this table which can be considered representative for total emigration from Greece, shows that the northern regions of the country (Macedonia, Thrace, Epirus) were the main ones where emigrants were "recruited" from (62.2% of the emigrants left from these regions); on the other hand, only 14% of the emigrants came from the southern regions of the country (Peloponnese and Islands). Emigrants from Epirus represented 14.5% of the population and 39.9% of the labour force of this region; the corresponding figures for Macedonia were 8.3% and 21.5% (10.8% and 26% for Thrace).

This disproportion seems even more intensive when examining emigration by district; in the period of massive emigration some districts of Greece were practically deserted. In 43 out of the 52 districts of the country there was a fall in the population in that period. partly attributed to external migration, since that period was marked by massive internal migration as well (KEPE, 1976).

Contrary to the predictions of the Neoclassical theory, external and internal migration seem to have caused a widening of regional disparities in Greece (Fakiolas, 1975, p. 6). In tables II-9 and II-10 these disparities are shown in terms of the distribution of the population and the GDP.

Emigrants remittances could have functioned as a "compensation" mechanism for the regions deserted by the emigrants, provided they had been distributed to the regions in some proportion with emigration. The Greek periphery though, seems to have absorbed only 40% of the remittances, (according to estimates based on the place those receiving remittances were living) while its contribution to emigration was 60% (Vergopoulos, 1976, pp. 278-9). This happened because, as we have seen, remittances mainly financed the building or the purchase of houses in the large cities instead of their regions of origin because of the urbanisation trend and the fact that the rate of return from investing in buildings in Greece is higher in the urban centres.

The negative effects of emigration in the distribution of the population and the labour force in particular, could have been blunted if, after the fall in emigration and the rise in repatriation, returning emigrants had chosen to establish themselves in the regions

they left from; this was not the case though, as we have seen. Most returning emigrants ended up in the big cities (Kayser, 1977, pp. 151-152) the whole process emigration-repatriation therefore, intensified urbanisation, although some (probably most) of these people would have ended living in the urban centres anyway. This happened mainly because returning emigrants preferred to establish themselves in areas where the standards of living were closer to the ones in the immigration countries (King, 1986, pp. 133-135). That was the reason the least developed regions of the country managed to attract very few of their emigrants.

2. Immigration and Regional Development in the E.C. Countries.

Immigration evolved in a programmed (by the governments in accordance with the needs of the private sector for labour) way for most of the E.C. countries (the U.K. being the exception), as far as the place of establishment of the immigrants was concerned. Especially those who moved according to the bilateral agreements went to predefined regions and firms (Hatzipanayotou, 1977). This fact helped some immigration countries (mainly West Germany) organise immigration according to the needs of each region for labour. Besides this, most of the E.C. countries could force any number of immigrants to move from one region to another; this was the case because immigrants were signing annual contracts with their employers after the end of which, they had either to move (if needed) to another region where a new contract was offered, or return to their country (op. cit.).

In table II-11 the distribution of Greek immigrants by German federal state is shown for 1981. Greek immigrants were mainly established in those federal states which were traditionally facing labour shortage problems (Frobel et al, 1980).

Under these circumstances, immigration countries were provided with a solution to the problem of short-run shortages of labour on a regional basis, since immigrants increased the mobility of the labour force (Nikolinakos, 1973).

Table I-9: Population distribution by region in Greece 1961, 1971 and 1981.

Region	1961	%	Average= 100	1971	%	Average= 100	1971/61 change	1981	%	Average= 100	1981/71 Change
Athens	1852709	22.0	199.	2540241	29.0	260	37.1	3027331	31.1	280	19.20
Continental	970949	11.6	104	992077	11.3	102	12.2	1099575	11.3	102	10.84
Peloponnese	1096390	13.1	118	986912	11.3	101	-10.0	1012528	10.4	94	2.60
Ionian isl.	212573	2.5	23	184443	2.1	19	-13.2	182651	1.9	17	-0.97
Epirus	352604	4.2	38	310334	3.5	32	-12.0	324541	3.3	30	4.60
Thessaly	689927	8.2	74	659913	7.5	68	-4.4	695654	7.1	64	5.40
Macedonia	1896112	22.6	203	1890684	21.6	194	-0.3	2121953	21.8	196	12.20
Thrace	356555	4.3	38	329582	3.8	34	-7.6	345220	3.5	32	4.70
Aegean isl.	477476	5.7	51	417813	4.8	43	-12.5	428533	4.4	40	2.60
Crete	483258	5.8	53	456642	5.2	47	-5.5	502165	5.1	46	9.96
Total	8388533	100.0		8768641	100.		4.5	9740151	100.0		11.70

Source: Negreponti-Delivani, 1986, p. 94.

Table II-10: The distribution of population and GDP by region in Greece.

Region	1950				1977							
					Cumulatively				Cumulatively			
	GDP	%	popul.	%	GDP	popul.	GDP	%	popul.	%	GDP	popul.
Contin.	378	38.3	2287	30.0	38.3	30.0	11664	50.8	3992	42.9	50.8	42.9
Macedon.	212	21.5	1705	22.3	59.8	52.3	1514	6.6	664	7.1	57.4	49.8
Aegean	60	6.1	529	6.9	65.9	59.2	2148	9.3	975	10.5	66.7	60.3
Thessaly	70	7.1	624	8.2	73.0	67.4	4407	19.2	2023	21.7	85.9	82.0
Thrace	37	3.7	337	4.4	76.7	71.8	368	1.6	175	1.9	87.5	83.9
Ionian	3	2.5	229	3.0	79.2	74.8	917	4.0	463	5.0	91.5	88.9
Pelopon.	122	12.4	1129	14.8	91.6	89.6	804	3.5	406	4.4	95.0	93.3
Epirus	4	3.5	331	4.3	95.1	93.9	627	2.7	324	3.5	97.7	96.9
Crete	5	4.9	461	6.1	100	100.0	526	2.3	291	3.1	100	100

Source: Negreponti-Delivani, 1986, p. 128.

Table II-11: The regional distribution of Greek immigrants in FRG (1981).

Region	Male	Female	Total	%
Scleswig-Holstein-Hamburg	2,081	1,375	3,456	2.9
Niedersachen-Bremen	3,799	2,500	6,299	5.3
Nordrhein-Vestfalen	24,403	14,564	38,967	32.8
Hessen	7,168	4,566	11,734	9.9
Rheinland-Phalz-Saarland	1,668	839	2,507	2.1
Baden-Wuttemberg	19,214	14,141	33,355	28.0
Nordbayern	4,146	3,211	7,357	6.2
Surdbayern	7,288	5,007	12,295	10.3
Berlin (West)	1,660	1,267	2,927	2.5
Not classified	26	17	43	-
Total	71,453	47,487	118,940	100.0

Source: Hatzipanayotou, 1983, p. 37.

Immigration proved to be a very positive factor for those regions of the E.C. countries facing labour shortage problems. It is true that the contribution of immigration in regional development, can by no means be isolated from the other positive factors for regional development, neither can it be expressed quantitatively; on the other hand, it seems that immigration has been one of the main means of regional policy in labour force of the immigration countries and, at the same time, the main reassurance for the materialisation of this policy.

F. THE DEMOGRAPHIC EFFECTS OF MIGRATION.

Migration has demographic effects, since it influences both the size and the structure of the population in the emigration and the immigration countries.

The direct demographic effects of migration consist of a reduction of the population of the emigration country and a consequent population increase in the immigration one. Besides that, since migration does not have to happen to both sexes and all ages proportionately, it can change the sex and age structure of the population.

The direct or long-term demographic implications of migration are derived from the direct ones but are of greater importance. The migration of young people can cause a significant fall of the fertility and the natural increase of the population rate in the emigration countries (the so called "Walker effect"), the final outcome being the aging of the population (Thomas, 1958, pp. 22-29).

1. The Demographic Effects for Greece.

The emigration from Greece absorbed, at least in the beginning, mainly men 20-40 years old (Mantzouranis, 1977, p. 131). In fact the large majority (70-75%) of men emigrants were 25-31 years old, while most women emigrants were 23-29 years old (Secretariat General for Greeks Living Abroad (S.G.G.L.A.), 1990, p. 67); Since the late 1960s (and until the mid 1970s) emigration became of a more family type, since most emigrants were accompanied by their families (Bohning 1984, p. 61). Since 1965 and up to 1974 the number of women emigrants started to increase (Blitz, 1977, pp. 484-486).

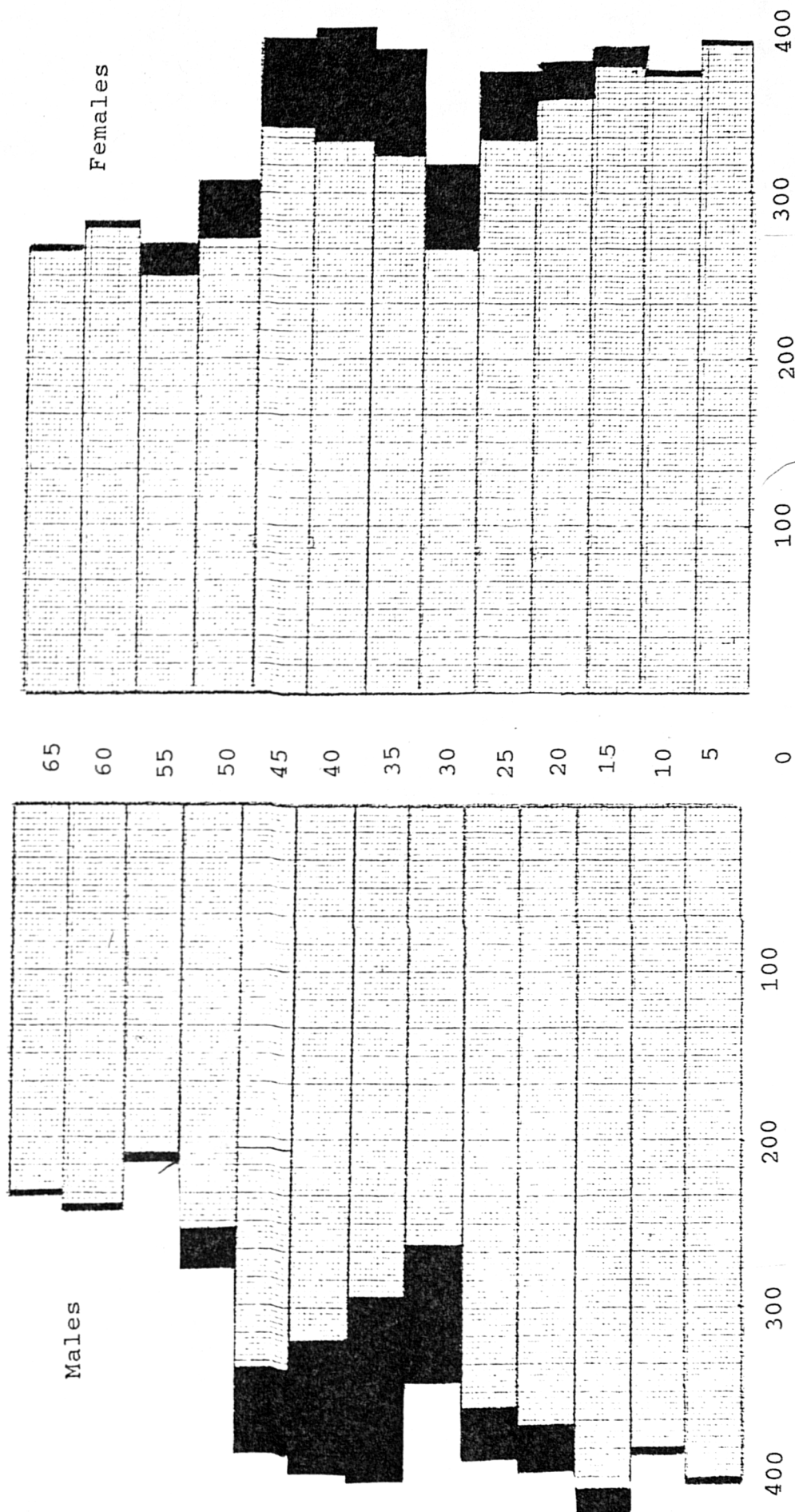
Table II-12: The demographic effects of emigration in Greece 1961-81.

Demographic characteristic		Actual (R)	Expected (E)	E-R/R x 100
Average annual increase (%)				
	1961-1971	0.431	0.906	+110.2
	1971-1981	1.406	0.897	-14.2
	1961-1981	0.739	0.851	+15.2
Population 0-14 years old (%)				
	1971	25.4	24.6	-1.6
	1981	23.4	23.2	-0.9
Population	15-64		years	old (%)
	1971	64.0	65.9	+3.0
	1981	63.8	65.4	+2.5
Population 65+ years old (%)				
	1971	11.0	9.5	-13.6
	1981	12.8	11.4	-10.9
Average age of labour force				
	1971	38.0	36.7	-3.4
	1981	38.2	37.8	-1.0
Men per 100 women				
	1971	95.6	96.3	+0.7
	1981	96.3	97.2	+0.9
Marriages per 1000 inhabitants				
	1970-1972	7.7	8.5	+10.4
	1980-1982	6.9	7.2	+4.3
Births per 1000 inhabitants				
	1970-1972	16.2	17.8	+9.9
	1980-1982	14.6	14.7	+0.8
Deaths per 1000 inhabitants				
	1970-1972	8.5	7.3	-14.8
	1980-1982	8.9	7.8	-11.9
Population natural increase (o/oo)				
	1970-1972	7.7	10.6	+37.3
	1980-1982	5.7	6.9	+20.7
Labour Force (in thousands)				
	1971	3,234.996	3,385.039	+4.6
	1981	3,543.797	3,717.536	+4.9

Source: S.G.G.L.A., 1990, p. 75.

Figure II-3: Pyramid of Greek population at the end of the period 1951-1970 showing population found in the 14.3.71 census ☐, Losses due to net emigration during the period 1951-1970 ☐

Age at the end of the period



Source: M. Drettakis: "A method to estimate the impact of migration on the sex and age structure of a population with an application to the case of Greece 1951-1970" Studies, 1976, p. 53.

The emigration of young people in particular, given the size of emigration, caused a change in the sex and age structure of the Greek population, besides the effect on the very slow rate of population increase in the period 1961-1971 (OECD, 1967, p. 15). The demographic effects of emigration from Greece are shown in table II-12 and diagram II-3.

The rate of the increase of the population fell considerably due to emigration. From 0.94% (average annual rate) in the period 1951-1961, it fell to 0.44% in the period 1961-1971 (Filiass, 1966, p. 437). It is indicative that after 1974, when repatriation increased and emigration fell, this rate reached 0.76% (KEPE, 1976, p. 6).

The fall in the number of births in Greece, started in the first postwar years and became more pronounced after the acceleration of emigration (op. cit.); this fact, combined with the departure of the emigrants caused the rapid aging of the population. In the period 1961-1971 the number of the people 15-64 years old fell by 15%, while the number of people older than 65 years were representing 12% of the population in 1975 (they represented less than 7% in 1951 (KEPE, 1977, pp. 15-17).

One should keep in mind though, that the exact impact of emigration on the birth rate in Greece cannot be quantified easily; the postwar period in Greece was marked by a general fall of the birth rate which could be attributed to emigration only to a certain extent. A series of factors influenced the birth rate in particular and the growth rate of the population in general in that period; one can therefore hardly distinguish the particular contribution of emigration to this trend. In particular:

- the fall in birth rates in the postwar period could be attributed to the decrease of infant mortality, as well as the application of some sort of family planning in Greece.
- the increasing female participation in the labour force in that period must have had an impact on birth rates.
- the movement of people from the Greek periphery to the urban centres of Greece (either directly through internal migration, or indirectly through emigration and repatriation) brought a change in preferences since the number of children per family differ considerably between cities and the periphery (the latter being higher in the case of

Greece).

-the modest development of the welfare state in Greece in the postwar period did not include provisions or policy measures relatively to the dramatic fall of the birth rate and the apparent demographic problem emerging from that, at least not until the mid-1970s.

The aging of the population was very obvious in the agricultural areas (where emigrants mainly left from); in the late 1970s 50% of the cultivated land was owned by people more than 65 years old.

2. The Demographic Effects for the E.C. Countries.

After the end of World War II, most Western European countries witnessed a considerable fluctuation in the number of births; after a "baby boom" in 1947, some decline since then and until 1964, a rise in the period 1965-1974 and a sharp decrease after 1974. This trend, of course, does not apply to all Western European countries; in West Germany for example the number of births fell from 17.4 per 1,000 inhabitants in 1960 to 13.4 in 1970 (Nikolinakos, 1974, p. 93). Many Western European countries showed similar signs of demographic stagnation, with direct effects on the age structure of the population and, consequently the labour force; in fact the labour force in most Western European countries decreased during the 1950s (Connel et al, 1976, p. 42).

The immigration to the E.C. countries was selective, as far as the age of the immigrants was concerned and, this was one of the tasks for the recruiting agencies (Castles and Kosack, 1985, p. 489). 70-75% of the immigrants in the E.C. countries were 15-34 years old and only 3-5% of them were more than 55 years old (United Nations, 1979, p. 103). The temporary nature of migration to the E.C. countries facilitated the reprovision of the immigrants' "stock" with young immigrants; as a result, the average age of the foreign workers employed in the immigration E.C. countries was less than 33. In the 1980s, very few of the immigrants in the E.C. countries had reached the age of retirement; immigrants therefore, (especially the temporary ones as the Greeks proved to be) were net contributors to the social insurance and pensions schemes in the immigration countries (Castles and Kosack, 1985, p. 491). The fertility rates of the immigrants were very high relatively to the ones of the native population (op. cit.). During the

1970s 12% of the total births in West Germany were attributed to the families of the immigrants who in fact in that period accounted for less than 6% of the total population (United Nations, 1979, p. 131).

Immigration changed the age structure of the population in the E.C. countries; in fact it contributed to the avoidance of the aging of the population and, consequently the reduction of the labour force (Secretariat General, 1990, pp. 61-85). It is indicative that the percentage of the population less than 15 years old in West Germany from 20.9% in 1957, reached 23.2% in 1968 (op. cit.).

Generally speaking, most of the immigrants were male; on average there were 600 female immigrants for every thousand of male ones; this meant that immigration changed the sex structure of the population as well in the immigration countries (Castles and Kosack, 1985). Greek immigrants in particular though, had the highest female participation than any other nationality (op. cit.). The importance attributed to the demographic effects of immigration by the E.C. countries is proved by their efforts to assimilate socially the immigrants of the second generation.

CONCLUSIONS OF PART II.

As we have seen in Part I, the pattern and the characteristics of emigration from Greece to the E.C. countries reflects the postwar development patterns and the economic performances of the countries involved. The rapid economic growth in most E.C. countries in that period, mainly due to an expansion of industry, absorbed all the available sources of labour, both indigenous (e.g. females) and exogenous (refugees). By reaching full employment without having exhausted the limits of further expansion, these economies were faced with the following dilemma: given the limitations of substituting labour by capital and the relatively (to what happened in the 1980s) slow shift to labour-saving high technology methods of production, these countries should either "import" labour or exclusively depend on their own labour force and tolerate substantial real wage increases. For reasons related to their aiming at sustaining the "virtuous circle" high profits-positive expectations- investment the latter option appeared to be more attractive. There are always several dangers related to expanding the labour force by "importing" labour, particularly visible if this extra labour is no longer needed. The policy makers of these countries seem to have been very well aware of these dangers and this is probably why they went a step further by redeploying complete immigration policies. The main characteristic of these policies was that they aimed at regulated controllable and flexible immigration so as to maximise the gains from it without any substantial dangers coming from commitments to emigration countries in case of recession. All they needed therefore was countries willing to provide labour.

Greece on the other hand, in that period was coming from a long and quite painful reconstruction effort; the main target of the Greek economy in that period was its transformation from a peasant (to a large extent) society to an industrial one (though this does not often imply labour intensive methods of production). This hoped for industrialisation should be expected, among other things, to absorb the vast labour surpluses (mainly from underemployment in agriculture) to productive employment in manufacturing. This was certainly a very

difficult task; on the other hand though, the existence of this labour surplus was the main (if not the only) development asset Greece possessed, since capital was anything but abundant due to the weak industrial structure of the country and the poor investment performance althrough the postwar period. And it was exactly this asset Greek policy makers decided to give up.

Generally speaking, movements of labour could prove to be beneficial both for the emigration and the immigration countries under certain necessary conditions. We could list some of them as follows:

- a) The size of migration should be such, as to cover the labour shortages in the immigration countries, without causing though, labour shortages in the emigration ones.
- b) Emigrants remittances should finance activities (in the emigration countries) that do not neutralise their positive impact in the balance of payments and stimulate to a great extent, productive investment.
- c) Emigrants should acquire skills useful to the emigration countries after their repatriation.
- d) The emigratory flow should be recruited in such a way as to avoid imbalances as far as their regional development in both countries, and demographic problems in the emigration one are concerned.
- e) All measures must be taken to avoid serious social and political implications due to migration.

Under these conditions migration could bring: "rapid economic growth in the immigration countries, based on the adequacy of labour and a similar effect in the emigration ones where the abolition of the surplus labour would reduce or even eliminate underemployment and unemployment. Such models of economic growth, although different (as far as their application to emigration and immigration countries is concerned) could be efficient (each one in its own way). In the immigration countries, economic growth may be ensured by the deceleration of wage increases and the increase of ' profits and investment. In the emigration ones on the other hand, economic growth is facilitated by the increases in wages, which cause technological modernisation and efficient use of the factors of production " (Kindleberger, 1965, p. 253).

There are many ways of evaluating the effects of migration. One of them is by comparing them with the targets set by the policy makers of

the countries involved; here again, long and short-term targets should be distinguished in accordance with short and long-term effects of migration. In the short-term targets one could include the rapid GDP growth, price stability, full employment, an even income distribution and stability in the balance of payments; as a long-term one we could consider a higher level of development.

In the early 1960s it appeared that the increase of migration was beneficial, in the short-run, both for Greece and the E.C. countries. Emigration was the "safety valve" of the Greek labour market, reducing the pressures of the excessive supply of labour, while at the same time, remittances prevented any trouble in the Greek balance of payments. At the same time, the E.C. countries were solving their shortage of labour problem, preventing considerable wage increases. Given these, it seems that the benefits from migration, for a short period of time, surpassed the costs of migration for both groups of countries. Migration "like mercy blessed him who took and him who gave..." (Kindleberger, 1967, p. 202).

Since the late 1960s, it started to become clear that it was no longer feasible for both groups of countries to enjoy benefits from migration. Emigration caused labour shortages in Greece and consequently pressures for wage increases; besides that, the consumption and the production of domestic goods were negatively influenced. The positive function of the remittances was partly outweighed by the increase of imports, while their contribution to productive investment increases was mainly true for the non-strategic (or simply priority sectors) of Greek manufacturing; remittances on the other hand were not a real loss for the E.C. countries, since they could partly recycle them by increasing their exports.

For the short-term period in total therefore, the economic benefits from immigration for the E.C. countries were indisputable and, in fact quite substantial; it is very difficult though, to reach the same conclusion for Greece (MacMillen, 1982, p. 263).

The analysis in chapter eight has revealed that the long-term effects of emigration could hardly be considered as positive for the Greek economy. Not even one of the positive effects, according to the theory was verified and besides that, detrimental effects relative to the regional development, as well as demographic problems emerged. (One

could add at this point the social and political problems emerging from emigration the analysis of which is beyond the limits of this thesis) Emigration not only failed to contribute to the development of the Greek economy, but in addition, it undermined the perspectives of such a development.

For the E.C. countries, on the other hand, the long-term economic effects were particularly positive, but at the cost of social and political implications, mainly because these countries failed to predict the political and social dimension of "importing" labour.

It is not possible to have a "with and without migration" analysis so as to end up with a precise evaluation of the effects of migration. On the other hand, it is true that the effects of emigration for Greece could have been less negative, or even positive, had emigration not evolved in a complete vacuum of planning and relative policy and had Greece been able to set even some of the "rules of the game". Given that Greece functioned passively as a "pool of labour" from which the E.C. countries could absorb labour according to their needs, it would be unrealistic to expect favorable effects from emigration for Greece.

One could hardly base a development strategy on simple and self-restrictive specialisation models such as the Heckscher-Ohlin one, mainly because of the strict and unrealistic assumptions they are based on. Besides that, high unemployment and underemployment impose a constraint on any policy maker especially when "pull" factors by the developed countries are in operation. Finally one cannot be sure as to whether Greece would have done better in industrialising had emigration never occurred. What is certain though is that giving up your one and only abundant factor of production in the middle of the process it is needed most is, if nothing else, an indication of very bad timing. The best argument on this subject is probably the one stated by Giannitsis (1965, p. 219) "...industry cannot develop to keep labour from emigrating if labour emigrates before industry develops..." The fact that Greek policy makers went as far as calling emigration a "blessing from God" (this phrase is attributed to the late conservative leader and P.M. Panayiotis Kanellopoulos) and in fact signing emigration agreements leaving all authorisation to the immigration countries indicates lightheadedness and lack of a real development strategy. And as if these were not enough, Greek policy makers decided to let

emigration evolve in the most unplanned and unorganised fashion.

Given all these one can easily understand why the economic gains from immigration for the E.C. countries were so substantial while the gains for those emigration countries which didn't have a complete emigration policy (as Greece) were so poor and in fact, outweighed by losses. It is quite indicative that Greece failed to make the best out of the most promising aspect related to emigration, namely remittances, in spite of their considerable size due (again) to the lack of a relevant policy.

C H A P T E R N I N E

**" CONCLUDING CHAPTER - A LOOK TO THE FUTURE AND
SOME SUGGESTED POLICY MEASURES "**

A. GENERAL.

The analysis so far has concentrated on what has already happened as far as the causes and the effects of emigration from Greece to the E.C. countries are concerned. One could, therefore, say that as long as the movements of labour (either emigration or repatriation) have considerably fallen in size and economic significance since the mid-1970s the whole discussion is in the area of relatively recent economic history rather than that of current economic issues.

Given the present size and pattern of labour flows in the E.C. (chapter three) this is fair enough; on the other hand though, one should write out the possibility intra-E.C. migratory flows in the future. In other words, the fact that intra-European migratory flows seem to be quite limited in size and economic significance today, does not necessarily imply that they will remain so in the future.

It would, therefore, be very interesting to examine whether significant (in size and economic effects) intra-E.C. labour flows in general and flows from Greece to the other Community members in particular should be expected in the future.

Forecasting the perspectives of emigration from Greece to the other E.C. countries (or vice versa) is not an easy task. Methodologically speaking, the main idea underlining the analysis that will follow is that economic phenomena occur under certain circumstances; a repetition of such phenomena therefore, should be expected only if these unique circumstances are repeated. Any change in the circumstances will imply a change in the nature of the economic phenomenon. In particular, labour migration between Greece and the other E.C. countries could be repeated if an economic and political framework very similar to the ones in the 1960s re-appears.

As far as the economic framework in particular is concerned, the investigation could circle around the expected developments of the "push" and the "pull" factors which, after all, are the decisive ones for migration to occur as analysed in part one.

As far as the perspectives of migration between Greece and the other E.C. countries are concerned though, there are two additional factors to be taken into account, namely the establishment of the single European market by the end of 1992 (in the abolition of all barriers to

labour mobility will be achieved) and the "competition" from other emigration countries. The first factor refers to the elimination of all barriers to the mobility of labour within the E.C.; besides that, the implementation of the Social Charter is an additional factor to take into account. The second one refers to the fact that, given the number of immigrants certain E.C. countries will be able and willing to absorb, non-E.C. immigrants may be willing to immigrate (although they will possibly be subject to legal barriers), competing therefore with potential Community labour flows.

It should be made clear that, since the analysis will be speculative and, in fact mainly based on the experience of migration in the past, it should be seen as a reflection only relatively to the next 5 to 10 years rather than a longer period of time.

B. SOME RECENT DEVELOPMENTS ON INTRA-EUROPEAN MIGRATION WITH PARTICULAR APPLICATION TO THE CASE OF GREECE.

1. The Current Framework.

One could include a series of factors, economic as well as non-economic ones in the analysis of the current framework of migration between Greece and the other E.C. countries.

Starting by investigating the recent developments in the labour markets of the countries involved, one could note that in the period after the accession, unemployment in Greece has increased rapidly. Even though data on unemployment in the country are not particularly reliable, this evolution of unemployment is shown in table III-1. One should keep in mind that even in the years of the pronounced economic recession (1975-1980) the unemployment rate in Greece never exceeded 2.5% of the labour force (Pesmatzoglou, 1980).

The unemployment rates and the job vacancies for the E.C. of are shown in table III-2. The developments in West Germany (the main immigration country for Greece) in particular are shown in table III-4 for the 1961-89 period. Quite indicative, as far as migration is concerned, is the evolution of job vacancies per unemployed person especially if one takes into account that job vacancies have been one of the most decisive factors for immigration from Greece (chapter four). Besides that and, as far the unemployment rates in Greece and

the other E.C. countries are concerned one could say that: in Greece employment in the 1980s is increasing at an annual rate of 0.26% (small, but still positive); for the other E.C. countries the corresponding rate is -0.56% (employment is falling) (Eurostat, 1990).

Table III-1: Unemployment in Greece (1981-1988).

Year	Unemployed (in 000s)	Unemployment rate (unemployed/labour force)
1981	149	4.0
1982	216	5.8
1983	302	7.9
1984	315	8.3
1985	303	7.8
1986	287	7.4
1987	286	7.4
1988	303	7.7

Source: I.L.O., Annual labour statistics, (various issues)

Table III-2: Unemployed (U), job vacancies (V) (in thousands) and vacancies per unemployed (V/U) in the main E.C. immigration countries. (1975-90).

Year	U.K.			F.R.G.			France			Belgium			Holland		
	(U)	(V)	(V/U)	(U)	(V)	(V/U)	(U)	(V)	(V/U)	(U)	(V)	(V/U)	(U)	(V)	(V/U)
1975	1179	122	0.10	1074	236	0.21	839	-	-	208	4	0.01	195	47	0.24
1976	1251	155	0.12	1060	235	0.22	933	123	0.13	266	4	0.01	211	47	0.22
1977	1226	210	0.17	1030	231	0.22	1071	103	0.09	307	3	0.01	203	55	0.27
1978	1140	241	0.21	993	246	0.24	1167	86	0.07	333	4	0.01	205	63	0.30
1979	1452	210	0.14	876	304	0.34	1350	88	0.06	351	5	0.01	210	68	0.32
1980	2270	241	0.10	889	308	0.34	1467	89	0.06	382	6	0.01	248	54	0.21
1981	2626	91	0.03	1272	208	0.16	1750	69	0.03	454	4	0.00	285	20	0.07
1982	2790	114	0.04	1833	105	0.05	1923	83	0.04	535	4	0.00	541	11	0.02
1983	2921	137	0.04	2258	76	0.03	1974	79	0.04	589	6	0.01	800	10	0.01
1984	3036	150	0.05	2266	88	0.03	2323	46	0.01	595	8	0.01	822	15	0.01
1985	3107	162	0.05	2304	110	0.04	2442	46	0.01	558	18	0.03	761	24	0.03
1986	2822	188	0.06	2228	154	0.06	2489	49	0.01	516	17	0.03	710	27	0.03
1987	2295	234	0.10	2229	171	0.07	2532	54	0.02	500	-	-	685	26	0.03
1988	1796	249	0.13	2242	189	0.08	2410	63	0.02	459	-	-	433	--	-
1989	1953	219	0.11	2038	251	0.12	2312	-	-	419	-	-	390	-	-

Sources: 1. I.L.O., International labour statistics, various issues.
2. O.E.C.D., Country surveys, various issues.
3. Own calculations.

As far as the relationship between wage level differentials and migration is concerned, one could note that emigration continued to decline, while differences in the average income from wages was increasing. The relation of income from wages was 1/2.26 in 1964, 1/2.40 in 1977 and reached 1/2.47 in 1984. These conclusions, nevertheless, have to be accompanied by the reservation that underemployment (for which there are no recent estimations) in Greece is not taken into account. The inclusion of underemployment might have provided quite different conclusions.

Since 1980, the Greek government had to cope with the increasing anxiety of certain groups (e.g. lawyers, doctors) as well as the public opinion on the possible inflow of professionals from other E.C. members. The relaxation of these fears was attempted by stressing the fact that "...even though foreign professionals will be entitled to establish themselves in Greece they will not do so because wages and incomes are lower in Greece and they do not know the language..." (This answer was given in 1980 by the then Prime Minister G. Rallis). The political parties, although there was no consensus on the evaluation of the effects of emigration, seemed to agree that emigration from Greece had definitely ended. Nobody argued that the accession to the E.C. would cause any (considerable in size) outflow of Greeks. In fact quite the opposite was argued according to a very interesting (at the time, at least since the CAP will be reformed) argument: "...since emigration is mainly recruited from the agricultural sector, the application of the CAP in Greece will cause an increase of the agricultural income and therefore, reduce emigration..." (Pesmatzoglou, 1980).

2. The Recent Developments on Migration in Europe.

The rapid increase of unemployment and the consequent deterioration of the vacancy / unemployed ratio in immigration Western European countries (tables III-2 and III-4) in the 1970s and the 1980s was followed by a deceleration of immigration and an acceleration of repatriation. Consequently the stocks of foreign labour in most of these countries stagnated (or fell in some cases) as one can derive from table III-3. In fact these developments would have been more impressive in size, had the policies aiming at encouraging repatriation

(West Germany probably being the best example) been more successful. Several Western European immigration countries found out that it is much easier to control the inflow of foreign labour than to accelerate repatriation (Castles and Kosack, 1985, pp. 2-8).

Table III-3: Stocks of foreign labour in selected immigration O.E.C.D. countries, 1974-1986. (in thousands)

Country	1974	75	76	77	78	79	80	81	82	83	84	85	86
Austria	222	191	171	188	176	170	174	171	156	145	138	140	146
Belgium	278	-	-	306	-	310	332	332	-	375	388	396	-
France	1260	-	1426	1550	1518	1498	1458	1427	1503	1557	1652	-	-
F.R.G.	2386	2226	2027	1977	1961	2014	2168	2081	2037	1998	1854	1823	1833
Luxemb.	-	46	-	49	50	50	51	52	52	54	53	-	-
Holland	163	176	180	187	196	182	188	192	185	173	166	165	168
Sweden	200	204	235	225	227	228	234	233	227	221	219	216	214
Switz.	593	553	516	492	489	490	501	515	526	529	539	549	566

Source: Gordon and Thirlwal, 1989, p. 24.

Table III-4: Unemployed and job vacancies unfilled (in 000s) in West Germany. (1961-1989)

Year	Unemployed	Vacancies	vacancies per unemployed
1961	181	552	3.04
1965	148	644	4.35
1970	149	795	5.33
1975	1,074	236	0.21
1980	889	308	0.34
1985	2,304	110	0.04
1989	2,038	251	0.12

Sources: a) ILO, International labour statistics, various issues.
b) OECD, Country surveys, various issues.
c) Own calculations.

This relative persistence of stocks of immigrants in spite of the rise of unemployment and the fall in vacancies could be explained in three ways: first, immigrants may have been unwilling to leave simply because the perspectives of employment in their countries of origin were not particularly good; second, assuming that immigrants were (still) less "choosy", in jobs than the indigenous labour force (as was the case in the 60s and the early 70s), one could suggest that they could still find a job relatively easy; alternatively, those unemployed could live on unemployment benefits by simply reducing or cutting off

remittances at a subsistence level of income. Third, one has to take into account that although the stock of immigrants has, to a large extent remained constant, their composition has changed; in fact during the 1980s the stock of immigrants from the Mediterranean countries has been greatly "replaced" by non-European ones (Gordon & Thirwal, 1985).

The 1980s were marked by the realisation (by immigration countries) that immigration is related to a series of social and political implications of such a variety and intensity that it was very difficult to cope with. This realisation is best described by a phrase attributed to Mr. W. Schaub, a German policy maker: "...we asked for labour but got people instead ..." (quoted in Castles and Kosack, 1985) A full analysis of these implications though, is clearly beyond the scope of this thesis.

As we have already seen, (part one) Eastern European countries were the first to supply labour (in the form of *refugees it is true*) to the Western European ones in the postwar period. These flows however were mainly determined (or seemed to have been determined) by political factors only; in fact, given the particularity of movements from Eastern to West Germany, these flows were not really treated by economists as migratory flows in the sense that applied to immigration from the Mediterranean countries. The fast absorption of these people by the labour markets of the immigration countries (particularly easy for the Eastern Germans) with no serious economic implications in the 1950s left little room for further concern on this aspect.

In the years to follow, the fall in the number of refugees to Western Europe supported the relaxation relatively to the possibility of massive migratory flows. Even when people started to leave these countries (mainly East for Western Germany) by tens of thousands at the end of 1989, very few (if any) people saw this as migration.

It is true that these movements decelerated in 1990, but the expected gradual shift of most Eastern European economies to market ones may bring another problem to the surface: the process of transformation of planned economies (where unemployment was kept at extremely low levels) to market ones could "release" large numbers of workers, especially if one takes into account the relatively labour intensive methods of production and the low competitiveness of manufacturing in most of these countries. If one accepts that the expansionary policies which

could absorb these workers are very unlikely for these countries (given their debts) there seems to be only one way out: emigration to Western Europe. Such a trend is not quite obvious yet, probably because this transformation has hardly began yet; by the time it starts though the "push" factors for migration to occur will probably become quite obvious.

One has to take into account that the postwar experience suggests that "push" factors are only the necessary condition (the "pull" ones being the permissive) for migration to occur; it all really depends after all on how far the commitment and the solidarity of Western European countries to the Eastern ones will go on this aspect, and the immigration policies adopted at E.C. level.

A final point to be made is related to the evolution of migration as a function of the natural increase of the population and the labour force (OECD, 1985). The logic of this point is that, in a period of stagnation in migration, the perspectives are greatly determined by the population increases in the emigration and the immigration countries, since these increases reflect the supply of labour. In table III-5 we can see the rates of increase of the population in working age brackets for several emigration and immigration countries for the recent years, as well as the relevant forecasts until 2000. The basic observation for Greece (in fact it applies to all European emigration countries except Turkey) from this table is that the rates of increase of its population are extremely low, even relatively to the ones for the European emigration countries. In particular, Greece is expected to witness a fall of its population in working age brackets after 1990. One could therefore conclude that the population pressures on the labour markets of Greece's former "competitors" in emigration already are more intensive than in Greece and are expected to remain so in the near future.

C. ON THE PERSPECTIVES OF EMIGRATION FROM GREECE TO THE OTHER E.C. COUNTRIES.

The points made in the analysis so far suggest that three main particular aspects should be examined in order to come up with some conclusions on the perspectives of labour mobility between Greece and

it's Community partners; given the background and the recent developments, one has to start by examining whether the Community framework and the Single European Act in particular will stimulate migratory flows between Greece and the other E.C. members. Secondly and more importantly, the "pull" factors will have to be carefully examined since both the theory and the empirical evidence have indicated their importance; the same could be argued (to a lesser extent though) as far as the "push" factors are concerned. Lastly, one could argue that since immigration countries are the ones to decide where they should "import" their immigrant labour from, "competition" from other potential emigration countries, Eastern European and non-European ones as the analysis of the previous section suggested, should be seriously taken into consideration.

Table III-6: Population in working age brackets in the O.E.C.D. countries. (annual changes)

Country \	Period	1980-1985	1985-1990	1990-2000
<u>Immigration countries</u>		0.9	0.5	0.5
<u>Non-European</u>		1.0	0.7	0.8
Australia		1.7	1.4	1.1
Canada		1.1	0.8	0.8
U.S.A.		1.0	0.6	0.8
<u>European</u>		0.7	0.1	-0.1
Belgium		1.0	0.3	-0.1
France		0.8	0.4	0.2
F.R.G.		0.6	-0.6	0.1
Netherlands		1.2	0.6	0.1
Sweden		0.1	0.2	0.1
Switzerland		0.7	0.1	0.2
<u>Emigration countries</u>		1.4	1.0	0.7
Finland		0.5	0.1	0.1
Greece		0.8	0.5	-0.1
Italy		0.8	0.3	-0.2
Portugal		-0.7	0.5	0.3
Spain		1.0	0.9	0.4
Turkey		2.9	2.4	2.2
Yugoslavia		1.3	0.7	0.3

Source: O.E.C.D., 1985, p. 65.

1.The Community Framework.

According to the E.C. regulation 1612/68, the free mobility of labour is a means for the improvement of the living and working conditions of the workers. At this particular point and, for the first time, free labour mobility is referred as a special target, separate from the

other targets analysed in the E.C. treaties. Until then, free labour mobility was simply considered as a means for the attainment of continuous development (Gianopoulos, 1979, p. 152) As already mentioned, the E.C. never aimed at organising massive migratory flows, but to create a larger geographical area in which employment opportunities arise for those to benefit (Commission of the E. C., 1982, p. 6)

After the accession of Greece to the E.C. (and particularly after the end of the transitional period), the Greek labour force is a part of the Community one and the Greek labour market has been integrated in the wider labour market of the E.C.. Relatively to this fact there is one main question: could the E.C. framework by itself stimulate emigration from Greece to the other E.C. countries?

The West Germans and the French who insisted, during the negotiations for the accession of Greece in the E.C., for the adoption of a long transition period, as far the free labour mobility was concerned, claimed that an immediate application of the E.C. provisions would cause a intensification of emigration from Greece. They were particularly afraid that this rise of emigration would emphasise the problems the labour markets of the E.C. countries were facing. The main analytical fault of their argument was that the conditions of the early 1960s were assumed to apply in the 1980s.

In fact, the whole discussion and the arrangement of a long transitional period before the full application of the free labour mobility principle in the cases of Greece Spain and Portugal seems to have been based on an overestimation of the importance of this principle. The free labour mobility provisions of the E.C. could not be as "effective" as the bilateral agreements signed in the 1960s since they do not go as far as organising and regulating movements of labour. The minimal (negligible one could say) movements of labour between Greece and the other E.C. countries even after the end of the transitional period support this argument.

The free labour mobility which is expected to be accomplished by the end of 1992 means that, Community workers will be free to search for employment in any member state. The principle of free labour mobility though, cannot cause migratory flows by itself, since it cannot overcome basic obstacles such as the distance, the different language

and the social assimilation of the immigrants. Its main problem though, is that it cannot ensure employment for the immigrants, contrary to the bilateral agreements which were ensuring a specific vacancy for those emigrating. The abolition of the barriers (negative integration), therefore, can only permit rather than cause migration by itself if it is not accompanied by positive integration measures such as a common employment and a common social security policy. Such policies, coping with the problem of unemployment for the E.C. as a whole do not seem to be a realistic perspective today in spite of the relatively recent "social charter".

These conclusions support the argument that what the Community's representatives had in mind during the negotiations for the accession of Greece in the E.C. was Spain in the short-run and Turkey in the long-run. The adoption of the seven year transitional period for the free labour mobility served only as the basis for similar arrangements in the future (GDI, 1979, p. 121).

2. The "Push" and "Pull" Factors Element.

The analysis in the first part of the thesis indicated that emigration from Greece to the E.C. countries in the 1960s and the early 1970s was the "product" of a combination of "push" and "pull" factors, the latter been the decisive ones. We should therefore examine whether these factors are present or whether they could be present in the future.

The econometric investigation of the determining factors of emigration from Greece to West Germany (which was assumed to be more or less applicable to the other E.C. immigration countries) in the period 1960-1984, produced the following two models (see chapter four):

-the "push" factor one

$$M_t = 40.24 + 0.8 M_{t-1} - 0.57 APC_{grt-1} - 30.0 R_t + U_t$$

(3.97) (6.77) (-2.98) (-2.38)

-and the "pull" factor one

$$M_t = -36.61 + 0.21 M_{t-1} + 0.13 JVU_{frgt} + 2.60 MU_t + U_t \quad \text{where:}$$

(-3.60) (2.10) (6.07) (2.55)

M_t and M_{t-1} : emigration from Greece to FRG in periods t and $t-1$ respectively,

APC_{grt-1} : Greek agricultural productivity per capita in period $t-1$,

R_t : Repatriation to Greece from West Germany in period t ,
 JVU_{tgrt} : Job vacancies unfilled in West Germany in period t ,
 MU_t : Unemployment rate of Greeks in West Germany in period t and
 U_t : Error term.

Besides that, the investigation revealed the superiority of the "pull" factors model. Assuming emigration in the future will be determined by the factors indicated by these two models and in fact, within the same (more or less) framework of relationships (signs, coefficients, etc.), one could note the following points:

-emigration from and repatriation to Greece have been diminishing in the recent years to such an extent that, they could hardly be assumed to influence migratory flows in the future; moreover, if one interprets these two variables as influencing emigration in a "word of mouth" fashion, their recent developments seem to suggest that they are not likely to stimulate emigration in the future. One could argue that M_{t-1} suggests that emigration could be seen as a self-perpetuating process in a sense; even if this is the case though, something else will have to "pull the trigger" for emigration to re-appear before it gains a self-accelerating momentum.

-the same conclusion, more or less, could be applied to MU_t ; the "pull" factors model indicated that the more immigrants there are in a certain country and the higher their unemployment rate is, the more likely it will be for some new immigrants to come in to replace them. Furthermore, this conclusion was only valid because emigration was evolving, to a great extent, under the bilateral agreements which do not apply any more. Given that it is very unlikely to have such agreements in the future and the experience since the mid-1970s, one could hardly expect that immigrants losing their jobs will be substituted by immigrants of the same origin. In fact, the experience so far suggests that, even if substitution is needed, (that is when the vacancy is not "lost") indigenous labour or non-European immigrants are the ones to fill it.

-as far as APC_{grt-1} is concerned the following points could be made: During the negotiations for the accession of Greece to the E.C., there was a large discussion on the possible effects from the application of the C.A.P. in Greek agriculture. This discussion was extended on emigration according to the following argument: The application of the

C.A.P. will increase the productivity of the Greek agriculture through an increase of the irrigated areas and investment in infrastructure (co-financed by the Community budget). This increase of productivity would "free" many people from agriculture; these people would possibly search for employment in the foreign land (GDI, 1979, pp. 120-121). This analysis though, did not take into account the Greek agricultural development model which is based on labour intensive cultivation methods. It did not also take into account that a great part of the Greek agricultural labour force consists of people more than 55 years old and these people would withdraw from employment anyway (Zolotas, 1978). The agricultural labour reserves of Greece, therefore, were not so significant and they could not justify perspectives of exodus to the other E.C. countries what so ever. Besides that, the increase of the agricultural income due to the participation in the C.A.P. would be a negative factor for emigration, as mentioned (Pesmatzoglou, 1980)

-the existence of a large number of job vacancies unfilled (much higher than unemployment in the case of West Germany in the 1960s) in the immigration countries, has probably been the main driving force of migration in the past; given that, in the context of the two aforementioned models, no other factor seems to be likely to influence future migration in a positive way, one should carefully examine the perspectives of the labour markets of the immigration countries and the perspectives of job vacancies unfilled (not coverable by indigenous labour) in particular. As far as Germany is concerned, in particular, one should take into account that the unification of the two Germanies has solved the problem of labour shortages West Germany might have had for many years to come.

The experience of the late 1970s and 1980s suggests that in the immigration E.C. countries, demand for labour has been constrained by a series of factors and mainly by the stagnation of investment. In spite of the fact that some signs of economic recovery have been seen since the early 1980s, it is very doubtful whether this recovery will ever lead to a complete absorption of unemployment and, even more doubtful whether an import of immigrant labour will be ever needed. The pattern of economic development in the 1980s was quite different from the one in the 1960s; the economic policies most E.C. countries followed, mainly aimed at fighting inflation and increasing GDP rather than

reducing unemployment or even preventing it from increasing.

Industry was of crucial importance for the economic growth in the 1960s for most immigration E.C. countries; the recent experience is that industry is becoming more capital intensive (and therefore less and less able to absorb labour for a given increase in output) and its dominance is in question because of the rapid expansion of the tertiary sector. A process of de-industrialisation, in the sense that services are increasing their contribution both in the GDP formation and employment at the expense of manufacture, is in progress in the industrially developed E.C. countries (Molle, 1978, Negreponi-Delivani, 1989).

The aforementioned observation is very interesting relatively to the perspectives of migration; as we have seen, the greatest part of the immigrants, in the period of economic prosperity, was absorbed by manufacturing. It is very unlikely for the tertiary sector in the E.C. countries to absorb Greek immigrants for two main reasons: First it would be unrealistic to expect hiring of Greek immigrants in the public sector of the other E.C. countries; besides that employment in the tertiary sector in one country requires at least a good knowledge of the language the culture etc. of this country which the immigrants usually do not possess.

One should take into account that the Greek labour market has not been particularly prosperous in the last few years, and significant improvements should not be expected given the austerity policies which will be in force at least until 1992; unemployment is continuously increasing (although the unemployment rate is the lowest in the E.C. of 12) and the GDP growth rate that would eliminate unemployment (6% per annum) does not seem attainable (Lalonde and Papandreou, 1986, Kioulafas and Zaragas, 1990). On the other hand though, the fact that unemployment in the traditional immigration E.C. countries is even higher, is surely a constraint for any future movement of labour. The wage level in Greece after a period of convergence to the ones of the other E.C. countries, has stagnated in constant prices in the last few years (Kioulafas and Zaragas, 1990, pp. 270-274); wage differentials could be an incentive for emigration but, as we have seen, it has never been a decisive factor in the case of emigration from Greece to the E.C. countries. Besides that, since the end of the transitional period

(1987) no significant emigration from Greece to the other E.C. countries has been witnessed, although nominal wages in Greece (and Portugal) are the lowest in the Community (about 45 per cent of the ones in the U.K.) (Ermisch, 1991, p. 100). Another point which supports the above is that, generally speaking, empirical evidence suggests that wage differences have not caused an increase in intra-E.C. migration (op cit. p. 101). This could be mainly attributed to the fact that trade in commodities has tended to substitute for movements in factors of production and particularly labour migration .

The above forecasts are certainly of a general nature and one should examine the demand and the supply of labour for different levels of skills and specialisations. The possibilities for emigration are extremely limited for the Greek workers employed in sectors facing labour shortages. There is a structural shortage of skilled workers in sectors like clothing, footwear, paper, plastics, construction materials, electrical equipment, fireproofs, ship-repairing and car assembling. The sectors of plastics, construction materials and fireproofs face a problem of labour shortage, even for unskilled workers (Hassid, 1980, p. 307). Given Greece's shortages in skilled labour, free labour mobility could only mean an emigration of unskilled labour. The employees of firms related to similar ones in the E.C. countries and the highly skilled staff members of certain industries (drug industry) might show a higher mobility.

In conclusion, one could say that, only an impressive increase in the demand for unskilled labour in the E.C. countries might attract Greek immigrants (as was the case in the past). If such an increased demand for unskilled labour is unlikely to occur, it is also very unlikely that massive migration will be repeated, at least as far as the next five to ten years are concerned.

The aforementioned conclusions on the perspectives of emigration from Greece could be further supported by some additional considerations. In particular, the "economic maturity" approach is very helpful for the analysis of this subject; according to that, the traditional industrially developed regions of the Community have reached a point of saturation and, consequently they cannot attract investment in manufacturing, nor can they absorb labour. If economic expansion is to be expected from the "periphery" of the Community (Negreponi-Delivani,

1986) and not by the "Western European Megalopolis" (Vanhove and Klaassen, 1979, p. 50), the pattern of movements of labour in the E.C. cannot be the same as it was in the 1960s and the 1970s. Besides that, the fact that the traditional industrial regions seem unable to grow and absorb labour at the rates of the past, raises the question of whether labour should move to the job or the job to labour (Vanhove and Klaassen, 1979). In the past, it was the labour that moved where the jobs were offered; exactly the opposite could be an option and, in fact a more realistic one under the present circumstances, although it requires a different type of industrial policy as compared with the past. Generally speaking, a repetition of emigration to the E.C. countries would mean an exportation of unemployment to "customers" that have enough of their own. In spite of the progressive internationalisation of the economy, unemployment is still a problem each country has to solve on its own.

Another, important factor to be taken into account is the recent unification of the two Germanies; first of all it should be made clear that, given this fact, Eastern Germany (or what used to be Eastern Germany) can no longer be examined in the context of expected migration from the Eastern European countries (next section), since the Eastern German labour force is now simply a part of the (unified) German one. In the 1960s and early 1970s West Germany has been the main labour importing E.C. country. One could therefore assume that Germany should be the more likely labour importer in the future in case migration re-appears; given that the expected transformation of the Eastern German economy to a market one, is probably going to release labour which will be added to German unemployment, fill a large number of the job vacancies, or (most probably) both, the re-appearance of excess demand for immigrant labour even in case of a "boom" (as in the 1960s) seems more unlikely now than before the unification.

Countries could, under certain conditions (the main one being the shortage of labour in the more developed E.C. countries) find themselves in the 1960s situation; in this case new arrangements will be needed (since bilateral agreements are not permitted according to the E.C. law) for the organisation of the migratory flows. Such a perspective though, is not realistic for two main reasons. The first one is that, even if the Western European economy enters a period of

prolonged economic growth, it is very unlikely that the economic environment of the 1955-1973 period will be attained. The second one is that, given the experience of the postwar labour movements and their serious social, political (as well as economic for the emigration countries) long-term implications no E.C. country would decide to repeat the venture.

As far as emigration from the other E.C. countries to Greece is concerned we could say that: the wage level in Greece is much lower than that in most E.C. countries and this is the main disincentive for someone wishing to search for employment in Greece (although wages differentials have never been the decisive factor for intra-E.C. migration as we have seen). This fact makes emigration to Greece almost impossible, even in case nothing changes in the E.C. labour market. Besides this, there are other factors making emigration to Greece impossible; the weekly hours of work are more, and the social policy benefits poorer compared to the other E.C. countries (Giannopoulos, 1979, p. 181). The same, more or less conclusions, are valid for the case of professionals and scientists as well; here again the relatively low incomes in Greece are the main disincentive for emigration.

An additional factor to take into account is the implementation of the Social Charter. The application of the provisions of the Social Charter is expected to put pressure on poorer member-states (such as Greece) to increase their social benefits. Assuming that no other public expenditure is reduced, financing this increase in social benefits will probably require an increase in taxation and especially payroll taxes (Ermisch, 1991, p. 98). Such an increase in taxation will probably lead to a reduction in real wages making the emigration from other E.C. countries to Greece even more unlikely. On the other hand, one could say that such a development would increase the possibility of migration from Greece to the richer E.C. countries, the main reservation being again whether wage differentials will cause such migratory flows in the future.

3. "Competition" from Other Potential Emigration Countries.

Since the appearance of the economic recession in the 1970s, Mediterranean immigrants in the E.C. countries have, to a large extent, been replaced by non-European immigrants who have proved to be

"tougher" to the pressures for repatriation. One of the main reasons for this has been the fact that the "push" factors in their countries of origin have been much more intensive than the ones operating in the Mediterranean countries. In fact this "non-European immigration" seems to be of a permanent rather than of a temporary nature. These Non-European emigration countries, therefore, may prove to be competitors to the Mediterranean ones (including Greece) in case demand for labour (and therefore vacancies) increase in the immigration E.C. countries. One could argue that in such a case Community immigrants will have an advantage due to the E.C. provisions. On the other hand though, this advantage may be outweighed by two facts: first immigrants from non-European countries may accept jobs European immigrants would not accept. Secondly they may accept jobs at very low wages. One must not forget that it is exactly these two facts that have caused the recent persistence of this kind of immigration in many E.C. countries including Greece. (see migratory "paradox" in chapter three).

In addition to that, competition should be expected from Eastern Europe as shown in the previous section of this chapter. In fact this competition may prove to be more intensive due to the sensitivity and the commitment of E.C. members to these countries, not to mention the possibility of accession of (some or even all) of these countries to the E.C. which may simply be a matter of time.

In fact traditional emigration countries such as Greece having joined the E.C. may find themselves in defense in case the pressures for accepting immigrants from these countries are intensified. Greece in particular has had such an experience very recently (December 1990) when ethnic Greeks as well as Albanians entered the country by thousands as refugees.

D. SUGGESTED POLICY MEASURES.

Greece, as a traditional labour "exporter" and an E.C. member since 1981, is presently faced with two problems: The first one is how to cope with arguably possible (small in size as it seems) outflows of labour and, at the same time a more possible inflow of E.C. and non-E.C. workers after the abolition of the barriers to free labour mobility and the recent developments in Eastern Europe. The second one

has to do with those who have already emigrated and still live abroad.

Contrary to what was happening in the first postwar decades, Greece appears to be in a defensive position as far as migration is concerned, since its labour will have to be protected from the competition which will be caused by the possible inflow of E.C. and (especially) non-E.C. workers. Since this protection cannot be carried out by imposing restrictions on the inflow of E.C. nationals, the only way out could be the improvement of the competitiveness of the Greek labour force. Such an improvement could be only achieved through the modernisation of education and professional training, which is a long-run and in fact a very difficult task.

As far as professional training for the creation of skilled labour is concerned in particular, this could be facilitated by migration under several conditions. Greek workers could be trained in particular Western European industries, in specific numbers and with their employment in Greece ensured after their return; such an arrangement would be very beneficial for Greece and many of the negative effects of emigration analysed in the second part of the thesis would have been avoided.

Relatively to the second issue, concerning the Greeks already living abroad and the E.C. countries in particular, we could conclude that: in spite of the continuous reduction of the number of the Greek immigrants in the E.C. countries since 1975 (due to the fall of emigration and the rise of repatriation), there are still more than 350,000 Greeks living in E.C. countries other than Greece. The lack of emigration policy from Greece cut off these people from the economic, political and social life of their home country; given the trend of the Greek immigrants in the E.C. countries to return to Greece sooner or later (usually after their retirement), the problem of their assimilation is raised once more. Relatively to this problem we could propose some indicative policy measures:

1. Measures for the Political and Social Reassimilation of the Emigrants.

a) Eliminating all the obstacles which, in effect, deprive the emigrants of their right to vote in the elections and therefore participate in the political life of their home country; this could be

arranged by allowing them to vote in the Greek embassies of the immigration countries.

b) Continuous support of the Greek communities of the foreign countries, the Greek schools and, generally speaking, all the bearers and the actions which contribute to the preservation of the links between Greece and Greek emigrants.

c) All measures aiming at improving the education level and the information of the emigrants.

2. Measures for the Economic Reassimilation of the Emigrants.

a) Even if we accept that emigration was necessary because of the inability of the Greek economy to absorb a part of its labour force and given the temporary character of emigration to the E.C. countries, Greece should use, professionally, all the returning emigrants. Besides this fact, Greece should follow a policy aiming at attracting the emigrants to repatriation; at a first stage this process should evolve selectively in the sense that skilled industrial workers should be attracted, by offering them satisfactory wages and ensuring their employment.

b) As we have seen, remittances depend, to a certain extent, on the long-term interest rates the Bank of Greece sets for the emigrants; this fact gives the Bank of Greece a certain flexibility as far as maximising the remittances and the benefits in terms of foreign currency inflows.

c) The problem of making the best out of the remittances from Greece's point of view is perhaps more difficult than the one of their maximisation. Making the best use of these remittances through financing productive investments has problems in spite of the favorable treatment of the emigrants by the state in terms of incentives (Law 1262/82). This could be attributed to the lack of relative information of the emigrants and furthermore to the problems to transform an industrial worker in West Germany to an investor in Greece; in fact this entrepreneurial skills problem is considered to be quite important in the case of Greece (Secretariat General, 1990, pp. 221-2). Besides the need for a continuous and full information of the emigrants on the perspectives of particular investment projects, the state should encourage cooperative and other schemes that join the savings of the

emigrants to entrepreneurial capital, especially in the Greek periphery. In addition to these, the establishment of a special institution for the promotion of investment initiatives by emigrants could facilitate, to a great extent the channeling of emigrants savings to productive investment (Secretariat General, 1990, pp. 225-226).

The aforementioned indicative policy measures represent only some general directives of an emigration policy; in every case they could be specified in order to maximise the efficiency of the venture. It seems rather peculiar to propose policy measures on emigration thirty years or so after the beginning of large scale emigration to the E.C. countries and fifteen years after the reversal of the flow and the intensification of repatriation; this unforgivable delay on the adoption of even primary measures forming an emigration policy, was one of the main causes of the negative effects of emigration for Greece. This fact and furthermore the new institutional framework of the E.C., simply mean that the issue of emigration requires a very careful treatment in order to avoid problems in the development of the Greek economy.

The postwar emigration to the E.C. countries has been a factor of great importance for the Greek economy; the existence of a large number of Greek immigrants in the E.C. countries even today and the perspectives after the accession of Greece and 1992 provide a constant interest to the subject. Any serious analysis of the Greek economy both historically and perspectively should not neglect to recognise the dynamism of the phenomenon and to propose relative policy measures.

E. EPILOGUE.

In the first two parts of the thesis the causes and the effects of labour movements from Greece to the E.C. countries were accounted and analysed; in the third part, on the other hand, an effort was made to forecast the perspectives of such movements given the accession of Greece to the E.C., and the recent developments in Europe.

The analysis indicated that the role of state intervention was decisive in the postwar intra-European emigration; in the industrially developed E.C. countries the state itself undertook to provide labour for industry and, in fact, in an official way through the bilateral

agreements. The other party, the countries with a relative labour surplus like Greece that is, saw these agreements as a policy measure for the reduction of unemployment and underemployment. Both the characteristics and the effects of these labour movements clearly reflect the bargaining position and the ability to implement economic policy of the two parties. It has been stressed that the negative effects of emigration for Greece could have been minimised, had Greece adopted even a primary emigration policy which would ensure a less passive attitude relatively to the problem.

The final conclusions of these thesis could be described in two main points:

- Thirty years after the beginning of massive emigration from Greece to the industrially developed E.C. countries and in the light of the facts analysed in the previous sections of this chapter a repetition of such migratory flows (in size and importance) between Greece and it's E.C. partners seem quite unlikely unless if the unique circumstances of the early 1960s re-appear.

- The analysis so far has made quite clear that the role of planning and state intervention is of crucial importance in the case of movements of labour, especially when these movements are of considerable size. In fact the experience of Greece clearly suggests that migration should not be left to the market forces. After all it was Adam Smith the "father" of non-interventionism who said that labour is the most difficult commodity to transport.

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